51ST CONGRESS, 1st Session. | SENATE. | REPORT No. 847.

IN THE SENATE OF THE UNITED STATES.

MAY 2.—Ordered to be printed.

Mr. CULLOM, from the Committee on Interstate Commerce, submitted the following

REPORT:

[To accompany Senate resolutions of August 3 and December 13, 1888.]

During the first session of the Fiftieth Congress the Senate adopted the following resolution:

Resolved, That the Committee on Interstate Commerce be, and it is hereby, directed to ascertain and report to the Senate whether any railroad lines located in the United States are owned, operated, or controlled by the Grand Trunk Railway Company, the Canadian Pacific Railway Company, or any other Canadian railroad corporation; whether commerce originating in the United States is diverted from American to Canadian lines of transportation, and, if so, to what extent and by what means; and whether there is any discrimination in the charges made for tolls or otherwise against American vessels which pass through the Welland and St. Lawrence Canals.

Said committee is further directed to inquire fully into the question of the regulation of the commerce carried on by railroad or water routes between the United States and the Dominion of Canada, and to report what legislation, on the subject, if any, is necessary for the protection of the commercial interests of the United States or to promote the enforcement of the "act to regulate commerce," approved February 4, 1887.

In making the inquiries required by this resolution said committee shall have power to send for persons and papers, to administer oaths, to employ a clerk and a stenographer, to sit during the recess of Congress, and to do whatever is necessary for a thorough investigation of the subject. Any subcommittee may exercise the powers hereby granted to said committee, and the expenses of said investigation shall be paid from the contingent fund of the Senate upon vouchers duly approved.

This resolution was adopted August 3, 1888. At the time it was believed that the committee would have an opportunity to undertake the investigation ordered during the recess of Congress then approaching, but the session was so protracted that it was finally found to be impracticable to hold formal sessions and take testimony at the different cities which it seemed necessary to visit within the time allowed by the brief recess which followed that session. The committee, however, made the preliminary inquiries necessary to ascertain the best method of obtaining the information desired, and to determine the course that ought to be pursued in conducting the inquiry, and decided to await the further action of the Senate before proceeding formally with the investigation.

At the second session of the Fiftieth Congress, the Senate ordered the investigation to be continued, adopting the following resolution December 13, 1888:

Resolved, That the Committee on Interstate Commerce be, and it is hereby, directed to continue the investigation ordered to be made by the resolution of the Senate of August 3, 1888, and such committee is hereby given all the authority conferred by said resolution, and power to sit during any recess of the Senate prior to December, 1889, the necessary expenses of such investigation to be paid from the contingent fund of the Senate.

In compliance with the order of the Senate the committee held several meetings and finally determined to take testimony upon the subjects under investigation at the cities subsequently visited. Public notice of the dates and places of these hearings was given through the press and by correspondence, and efforts were made to secure the attendance and assistance of those who were supposed to be able to furnish the information desired and would be most affected by any legislation or action that might be proposed as a result of the investigation.

It is not claimed by the committee that all were heard who ought to have been given a hearing, or that its inquiries were as searching and complete as they ought to have been made. In fact, the committee was compelled to forego visiting a number of cities at which it had intended to take testimony and at which it deemed it desirable to hold hearings by reason of the fact that the funds available for its use were found to be much more limited than had been expected. While the committee was somewhat hampered in its work on this account, it has endeavored to make the inquiry intrusted to it as as thorough and complete as possible under the circumstances, and believes that the testimony, statements, and statistics herewith submitted will prove of value to Congress in the determination of such questions as may arise with respect to the transportation interests of the United States and the Dominion of Canada.

The accompanying statements will also be found to contain valuable information and testimony in relation to the effect and operation of the interstate commerce act and in regard to questions that arise with respect to amendments thereto which are from time to time suggested and publicly discussed. These matters were not strictly within the range of the inquiry which the committee was directed to make, but the entire subject of the regulation of commerce between the States being specially within the jurisdiction of the committee, it was deemed proper to improve the opportunity which the investigation afforded of obtaining information and expressions of opinion from business and railroad men concerning the general subject of the regulation of commerce and the practical operation of the interstate commerce act. This course has given to the testimony taken an interest and value beyond its application to the subject specially under consideration, and has in a measure enlarged the scope of the investigation directed to be made into an inquiry into the general subject within the jurisdiction of the committee.

RAILROADS IN THE UNITED STATES OWNED OR CONTROLLED BY CANADIAN ROADS.

The first inquiry which the Senate directed the committee to make was to ascertain and report—

> Whether any railroad lines located in the United States are owned, operated, or controlled by the Grand Trunk Railway Company, the Canadian Pacific Railway Company, or any other Canadian railroad corporation.

Upon this branch of the inquiry the committee examined in detail Mr. Joseph Hickson, the general manager of the Grand Trunk Railway of Canada, and Mr. William C. Van Horne, president of the Canadian Pacific Railway Company, both of whom came from Montreal to New York at the invitation of the committee especially to give their testimony, and answered fully and freely all questions propounded to them.

The committee submits herewith a summary of the information obtained from the gentlemen named and from other sources in relation to this branch of the inquiry.

LINES CONTROLLED BY THE GRAND TRUNK.

It appears from a statement furnished by Mr. Hickson that the total mileage of the lines operated and controlled by the Grand Trunk Railway is as follows:

	Miles.	
Lines owned and leased in Canada		3,119
Lines in the United States:		
Leased and operated as a part of the Grand Trunk system	360	
Controlled and operated in harmony with the Grand Trunk	617	
		977
Total mileage		4,096

This shows that there are 977 miles of railway located in the United States which are operated in connection with the Grand Trunk system and are under the control of that company. These lines lack but 47 miles of constituting one-fourth of the entire mileage of the Grand Trunk system.

The following lines of railway in the United States are owned or controlled by the Grand Trunk:

The Atlantic and St. Lawrence, which extends from Portland to the boundary between Canada and the State of Vermont, a distance of 166.58 miles. This line is owned by a separate corporation, but was leased by the Grand Trunk in 1853 for a period of nine hundred and ninety-nine years, the lease being sanctioned by the legislatures of the three States through which it extends. It is operated as a part of the Grand Trunk system. Its gross earnings during the year ended June 30, 1888, as reported to the Interstate Commerce Commission, were $1,107,764.77.

There are two branch lines of the Atlantic and St. Lawrence operated by the Grand Trunk. One connects the line named with Lewiston and is about 5 miles in length. Another, about 1½ miles long, extending from the Atlantic and St. Lawrence to Norway.

In the State of New York there is a short line 1¼ miles in length, extending from the Canadian boundary to Rouse's Point. This was built by a company which was consolidated with the Grand Trunk.

The line extending from the Canadian border near Fort Covington to Massena Springs, in the State of New York, a distance of 23 miles, although built by a separate corporation, is practically owned by the Grand Trunk and connects that system with the Rome and Watertown Railway.

The Chicago, Detroit and Canada Grand Trunk Junction Railroad extends from Fort Gratiot, Mich., to West Detroit, a distance of 59 miles. It was built to give the Grand Trunk a connection with Detroit and is leased to the Grand Trunk.

The Michigan Air Line Railway extends from Lenox, Mich., to Jackson, Mich., a distance of 105 miles. The Grand Trunk controls a majority of the stock of the company and the operation of the road.

The Chicago and Grand Trunk Railway extends from Port Huron, Mich., to the city of Chicago, and is 331 miles in length. This is a separate corporation and a separate organization is kept up, the line being wholly within the United States, but a majority of the stock and bonds is held by stockholders of the Grand Trunk Railway of Canada, which absolutely controls its management and operation.

The Detroit, Grand Haven and Milwaukee line, extending from Detroit to Grand Haven, Mich., is controlled in the same way by the Grand Trunk corporation, which has the power of electing the directors of the company and its officers.

The Toledo, Saginaw and Muskegon Railway is owned and controlled by a separate corporation, but has made a traffic arrangement under which it is operated as a connection of the Chicago and Grand Trunk Railway.

LINES CONTROLLED BY THE CANADIAN PACIFIC.

The International Railway of Maine, extending from Montreal across the State of Maine to Mattawamkeag, in that State, is leased to the Canadian Pacific Railway Company and is operated as a part of its main line between Montreal and the maritime provinces of Canada. By a trackage arrangement the Canadian Pacific also uses jointly the line of the Maine Central Railway.

The Canadian Pacific owns a controlling interest in the road extending from Montreal to Newport, in Vermont. That road runs into Vermont for a short distance, then back into Canada, and finally into Vermont again. It connects the Canadian Pacific at Newport with the Boston and Lowell Railroad, thus affording it a connection with Boston and points in New England.

The Minneapolis, St. Paul and Sault Ste. Marie Railroad and the Duluth, South Shore and Atlantic Railroad are known as the "Soo" lines. They extend from Minneapolis and from Duluth, respectively, to Sault Ste. Marie, connecting there with the Canadian Pacific by means of the international bridge, owned by a corporation known as the Sault Ste. Marie Bridge Company. One-half of the stock of this bridge company is owned by the Canadian Pacific Railway Company, one-fourth by the Minneapolis, St. Paul and Sault Ste. Marie Railroad Company, and one-fourth by the Duluth, South Shore and Atlantic Railway Company. The Canadian Pacific as a corporation is not interested in these "Soo" lines, but their construction was promoted and aided by stockholders and friends of the Canadian Pacific, who hold a controlling interest in the "Soo" lines. While operated independently, the relations between these lines and the Canadian Pacific are naturally of the most friendly character. The interests of each are the same. Through the "Soo" lines the Canadian Pacific gains access to the business between the Northwest and the East, passing through Minneapolis and Duluth, and *vice versa*.

COMPETITION BETWEEN RAILROADS IN THE UNITED STATES AND CANADA AS AFFECTED BY THE INTERSTATE COMMERCE ACT.

Since the enactment by Congress of the interstate commerce act complaints have occasionally been made in behalf of the railroad interests of the United States to the effect that certain of its provisions operated to place them at a disadvantage in their competition with the Canadian railroads which are engaged in the transportation of traffic between points in the United States across Canadian territory and between the United States and the Dominion of Canada. It has been claimed that the statute placed restrictions upon the railroads operating lines wholly within the United States which did not apply with like force to or could not be enforced against railroads operating lines mainly within foreign territory and under a foreign jurisdiction, as in the case of the Grand Trunk Railway of Canada and the Canadian Pacific Railway, and that in consequence the legislation of the United States having in view the regulation of interstate commerce practically operated to divert traffic from American to Canadian lines of transportation and to build up and enrich the latter at the expense of the former.

The committee was therefore directed by the Senate to ascertain "whether commerce originating in the United States is diverted from American to Canadian lines of transportation; and, if so, to what extent and by what means." And it was further directed—

to inquire fully into the question of the regulation of the commerce carried on by railroad or water routes between the United States and the Dominion of Canada, and to report what legislation on the subject, if any, is necessary for the protection of the commercial interests of the United States or to promote the enforcement of the "act to regulate commerce," approved February 4, 1887.

In endeavoring to carry out the directions of the Senate in these respects the committee examined a large number of witnesses to ascertain the effect of the regulations imposed by the interstate commerce act upon the railroads of the United States in their competition with the Canadian railroads for traffic originating in the United States, and the effect of these regulations and the competition of the Canadian railroads upon the commercial interests of the United States.

Upon the one side the committee summoned before it and examined the principal officers of the leading trunk lines operating between Chicago and the Atlantic seaboard which are most actively in competition with the Canadian railroads, representatives of the leading railroads of New England which are in direct connection with the Canadian railroads, and representatives of two of the leading transcontinental lines which are in competition with the Canadian Pacific Railway. Upon the other side the committee secured the views of a large number of shippers and representatives of commercial and other organizations throughout New England and the West who were especially interested in the maintenance of the present facilities for transportation afforded them by the Canadian railroads. As a result, both sides of the various important questions involved in the inquiry which the committee was directed to make were fully presented in the course of its public hearings and are set forth in detail in the stenographic report of those hearings, which is submitted herewith and made a part of this report.

THE INTERSTATE COMMERCE ACT AND THE CANADIAN RAILROADS.

The two principal railroad systems of Canada are those of the Grand Trunk Railway of Canada and of the Canadian Pacific Railway, and both have become formidable competitors of the American roads in the transportation of traffic originating in the United States. Under the system of transportation in bond which has grown up within the past twenty-three years, these foreign roads participate freely and upon equal terms with the railroads of the United States in the carrying trade between the East and the West, and the Northwest, and in the transportation of the products of the United States to the sea-board for export. Cars belonging to the Canadian railroads pass freely back and forth across the border, and are practically interchanged with those of the American lines, as if both countries were under the same government. The customs regulations observed at the border have been so arranged that practically they do not interrupt or impede the flow of traffic from one portion of the United States to another across Canadian territory, and the amount of this traffic increases from year to year.

The Grand Trunk Railway of Canada has been for years a member of the Trunk Line Association. It participates with the other trunk lines in the agreements made by the members of that association and is governed by the rules, regulations, and rates agreed upon by that associa-

tion. It is treated by its competitors and connections in the United States as if it were an American road, as it is in some respects, having under its control American corporations whose lines connect it with the leading railroad systems of the United States at Chicago and in New England.

The Canadian Pacific Railway and the lines under its control form a transcontinental route from ocean to ocean wholly within Canadian territory, except a link running for a short distance across the State of Maine, but it has made connections with American railroads at the international border at several important points and is building to others. Its main line was completed in November, 1885, and was opened for traffic in August, 1886. It has since been tapping the American railway system at different points and improving its connections, but its capacity as a competitor for American traffic has hardly yet been fully developed or exhibited, and it is feared by its American rivals more for what it may do in the future than for what it has done in the past.

The provisions of the interstate commerce act all apply to the transportation of passengers and freight by these Canadian railways from points in the United States across Canadian territory into the United States, or from points in Canada into the United States. The power of Congress under the Constitution "to regulate commerce with foreign nations" as well as "among the several States," is unquestioned. The situation with respect to these Canadian railways was considered when the interstate commerce act was drawn, and it was so framed as to apply to the transportation of all the traffic carried by rail between the two countries in the manner indicated.

And with the view of rendering more certain the observance of the law by the Canadian railways the following special provision was also incorporated in the section requiring the publication and posting of rates:

> Any common carrier subject to the provisions of this act receiving freight in the United States to be carried through a foreign country to any place in the United States shall also in like manner print and keep open to public inspection, at every depot or office where such freight is received for shipment, schedules showing the through rates established and charged by such common carrier to all points in the United States beyond the foreign country to which it accepts freight for shipment; and any freight shipped from the United States through a foreign country into the United States, the through rate on which shall not have been made public as required by this act, shall, before it is admitted into the United States from said foreign country, be subject to customs duties as if said freight were of foreign production; and any law in conflict with this section is hereby repealed.

GEOGRAPHICAL ADVANTAGES OF THE CANADIAN RAILWAYS WITH RESPECT TO THE LAW.

But, while the provisions of the interstate commerce act thus apply to all the traffic carried by the Canadian railways over which the United States has jurisdiction, it will seen by an examination of the testimony that the representatives of the American railroads who appeared before the committee were generally of the opinion that the restrictions imposed by the statute upon the railroads of the United States did not apply with equal force to those of Canada. The feeling of these witnesses seemed to be that the Canadian railways were in a position which would enable them, if they so desired, to find many opportunities of evading the law without fear of detection, because the greater part of their operations are carried on under a foreign jurisdiction. It was suggested, for example, that while the agents of the Canadian railways in the United States might strictly observe the law in all their transactions, their officers in Canada

might pay rebates or offer inducements to large shippers which would be sufficient to divert traffic from American lines of transportation, and which it would be very difficult to detect.

Two illustrations were given in the testimony of the manner in which traffic originating in the United States might be diverted to and carried by the Canadian lines without regard to the restrictions of the interstate commerce act. The Grand Trunk Railway, for instance, might publish its through rates from Detroit to the east and might observe them strictly as to all passengers starting from Detroit, and yet it could make what rates it pleased, without regard to the law, to any points upon its lines within the Dominion to passengers who would cross the river at Detroit and begin their journey in Canada, and might in this way so cut the rates as to secure a large proportion of that class of business from Detroit to eastern points. It was not directly charged that this had been done, but it was suggested that it could be done.

A case in which freight originating in the United States was placed outside of the operation of the interstate commerce act is given in the statement of Mr. J. M. Hannaford, traffic manager of the Northern Pacific Railroad. The following extracts from his statement will explain the case:

Now, take the hop business. Last year there were probably 15,000 bales of hops from Seattle that went to London. Nobody could tell at what rate they went. We did not carry them. They could local them by those little outside steamers up to Vancouver, and the moment they reached there they were entirely within the British domain until they reached destination.

The CHAIRMAN. Wherever the hops would be gathered in Washington Territory, would they be billed through to London or up to Vancouver?

Mr. HANNAFORD. They simply would be lightered up to Vancouver.

The CHAIRMAN. And then billed to London?

Mr. HANNAFORD. And then billed to London. We could not find them. We changed our tariff several times during the season, reduced rates, but never had them low enough to get that business.

The CHAIRMAN. Perhaps you did not make your tariff low enough in any respect to compete with the Canadian line?

Mr. HANNAFORD. Possibly. We made the rate as low as $1.25 from the Pacific coast to the Atlantic sea-board, and put all our intermediate business on the same basis.

The CHAIRMAN. One dollar and twenty-five cents a hundred?

Mr. HANNAFORD. Yes; it seemed like quoting a pretty low rate. (Testimony, pp. 571-572.

Seattle is on the line of the Northern Pacific, while the Canadian Pacific Railway has no connection by rail with that city.

EFFECT OF THE LONG AND SHORT HAUL CLAUSE.

But the argument most strongly urged in behalf of the American railroads in support of the claim that the interstate commerce act operated to the advantage of the Canadian railways was based upon the section of the act which prohibits the making of a greater charge for a shorter distance than for a longer distance over the same line, in the same direction under substantially similar circumstances and conditions.

There was a substantial unanimity of opinion among the representatives of the American railroads who appeared before the committee with respect to the operation of this section of the statute. The following extracts from the statements of representative railroad men will serve to show the views generally expressed upon this point.

Mr. Albert Fink, the commissioner of the Trunk Line Association, of which the leading American trunk lines and the Grand Trunk Railway

of Canada are members, expressed the belief that the Canadian railroads had an advantage under the operation of the short-haul provision of the act "in so far as they need not observe the law in Canada," and said:

> The Canadian roads can make low rates in competition with the American roads and need not reduce their local rates under the long and short haul clause, while the low competitive rates on American roads force a reduction in rates on all local traffic. (Testimony, p. 18.)

In the event of a rate war, Mr. Fink thought the American railroads would suffer more comparatively than the Grand Trunk Railway, because the short-haul clause would require the local rates of the former to conform to the through rates, which would make a very serious inroad upon their revenues, while the Canadian roads could keep up their local rates.

Upon the same question Mr. Chauncey M. Depew, president of the New York Central and Hudson River Railroad Company, expressed the opinion that the greatest advantage the Grand Trunk Railway enjoyed over its competitors in the United States in consequence of the enactment of the interstate commerce act was the fact it could recoup in Canada. He said:

> They have got the whole of Canada in which to recoup for any loss they may sustain on through business from Chicago. They can, therefore, at all times compel the American roads to give them such a percentage of the traffic as they think they ought to have on the through business to the American sea-boards—American business. Otherwise they can demoralize the whole business of the American roads and make themselves good in Canada on account of the long and short haul clause, which makes the direct rate cover our whole business.

Speaking of the tendency of commerce to follow the line of least resistance, Mr. Charles Francis Adams, president of the Union Pacific Railway, said:

> The effect of laws recently passed has been to create an artificial resistance on that line, and I find in the case of the Union Pacific, as in that of the other lines, that there is a tendency now to a diversion of traffic to what might be called the artificial line of least resistance to the Gulf of Mexico on the south where traffic strikes water, or else to the lakes on the north where it strikes water. The tendency, owing to the long and short haul clause of the act and the maintenance of rates which is now being brought about by the more perfect enforcement of the act, is to cause the east and west lines from Chicago and St. Paul to the sea-board to be put at a disadvantage as compared with the Canadian lines and the lakes and the Gulf of Mexico, so that there is a tendency toward finding new lines of least resistance, and in that way affecting the old lines and the business of the country. (Testimony, p. 140.)

The St. Paul, Minneapolis and Manitoba Railway extends from St. Paul to within 500 miles of the Pacific coast, running about 150 miles south of the Canadian Pacific Railway on an average, and from 90 to 150 miles north of the Northern Pacific Railroad. Mr. James J. Hill, the president, stated that his road was in competition with the Canadian Pacific Railway, and when asked if he could compete on fair terms, the interstate commerce act being observed, he replied:

> There are a great many times when the interstate commerce act would work an apparent hardship, and I might say a very great hardship, upon the American lines, because the other line is not compelled to observe it. I think if the conditions were equal, and that if we had relatively the same conditions that prevail in Canada, an American road could not live. We have sixty-five millions of people in this country and a great deal more money than the people of Canada. The various business enterprises carried on in the United States as compared with Canada are enormous, and furnish business and traffic and tonnage and persons traveling, moving in a way that is not the case in the lower or eastern portions of the Dominion, and if they had to depend upon themselves the same as our roads do they could not live. (Testimony, p. 182.)

Mr. George B. Roberts, president of the Pennsylvania Railroad, said:

Since the National Government has undertaken to regulate by special enactments the methods of transportaion upon the American lines of railway, I can not but feel that they have placed the American corporations at a disadvantage with the Canadian lines, which are not under such laws. These laws, in many instances, are quite restrictive, and do not permit the same freedom that has existed heretofore in the management of railroad properties.

The CHAIRMAN. Do you see that your road has in any degree suffered from the fact that the Grand Trunk operates in Chicago and from Chicago east?

Mr. ROBERTS. Not directly so; but we have felt with the other roads the effect of the Grand Trunk Railway being independent in its action of the rules governing the railways of the United States. It is not necessary for me to state to you that the rates that are charged upon the various lines which are known generally as the trunk line system of the country must be nearly uniform. The rates are higher on some roads than they are on others, but any severe depression of rates on any one of the lines affects indirectly the revenues or rates of the others. It must be quite apparent to you that the Grand Trunk, for instance, or the Canadian Pacific Railway, which draws its traffic largely from the States, does not come under any control of the laws of this country. The rates on that traffic or its system of carriage are not under such control, and while those corporations may observe the law, so far as their connecting lines in the States are concerned, the moment that traffic leaves the States and passes into the foreign country it is without such restriction, and they may treat it in any manner they see fit and proper. I do not claim that they are now operating their lines in Canada so as to seriously interfere with our rates, but they have done so in the past, and caused very serious complications with the roads in the United States. (Testimony, p. 203.)

Subsequently Mr. Roberts said, referring to the Canadian roads:

I do not know that they are now doing any serious injury to the railway interests of this country or to the country, but I submit that it is entirely within their power to do so. They have a very great advantage over the railways in the United States in their independence of our legal restrictions.

Mr. Roberts, however, did not advocate the taking of any radical steps with respect to the regulation of the competition of the Canadian railways. He expressed the belief that the question was one to be approached gradually; that it was some distance ahead, and said:

The development of the local business and the prosperity of the Canadian roads have not become so great as yet for us to have any serious feeling as to the effect of their competition, but probably it would come in a very reasonable period of time. I take it that the increase of local prosperity upon our own lines will be very much greater than upon the Canadian roads. I do not believe the Canadian roads will ever catch up to us. (Testimony, p. 220.)

Mr. Henry B. Ledyard, president and general manager of the Michigan Central Railroad Company, which operates a line running through Canada from Detroit to Suspension Bridge, known as the Canada Southern Railway, speaking of the competition of his road with the Grand Trunk Railway, stated that "the Canadian roads, by charging higher rates on the local traffic in Canada, are enabled to charge lower through rates on traffic from the United States," and said:

The local rates for short hauls are much higher than in the United States. The passage of the interstate commerce act had the effect in this country of reducing local rates, growing out of the application of the long and short haul provisions of the act. If you will compare the rates given by the distance tariffs on one class of freight you will find that the Grand Trunk rates in Canada are from 10 to 25 per cent. higher on lumber, for equal distances, than are charged by the Michigan Central Railroad in Michigan. (Testimony, p. 269.)

Mr. Ledyard cited the rates between a number of points in Canada and in Michigan in support of this statement, and added, referring to the Canada Southern Railway:

Our local rates are higher in Canada than in the United States. Our local traffic there is comparatively nothing, however.

Mr. C. S. Mellen, traffic manager of the Union Pacific Railway, was of the opinion that—

the Canadian Pacific has an advantage in the fact that it is not compelled to scale down its intermediate rates to meet the rates it names on through freight as the American lines are compelled to do, and thus takes it away from the American roads. (Testimony, p. 350.)

He also stated that—

the Canadian Pacific takes business around by way of Vancouver into an eastern terminus. They get an advantage there, and we can not compete with them on that point. As the American lines go inland from either side of the continent their rates are not subject to water competition and become subject to the long and short haul provision of the interstate law. That is not the case with the Canadian Pacific and is an advantage to that company. Again, by its various connections by both water and rail it draws business from intermediate points in the American lines to it at various junction points and is not obliged to apply the rates named on such business to the various points on the line over which such business goes to destination although the same are intermediate and would under the law on an American line take the same or a lower rate. (Testimony, p. 352.)

On the other hand, in opposition to the views thus generally advanced by railroad men, it was urged by Mr. Alonzo C. Raymond, who attended the different hearings of the committee as the representative of the Board of Trade of Detroit, that the advantage was all with the American roads. He said:

It has been stated that a large advantage rests with the Canadian railroads by reason of their exception from the long and short haul clause of our interstate commerce act. I do not think that is so. I think the advantage is all with the American roads. The New York Central has a thousand miles of road—the West Shore and leased line—most of it a four-track line; so that you can double the distance almost in the calculation as to these lines traversing an immensely wealthy and populous community, filled with the most fertile farms and dotted with immense factories. Their local traffic, as shown in this report to which I have referred, is so great that this system is beyond the influence of the interstate commerce act, and it has a great advantage I think over any Canadian line.

This is not alone true of the New York Central system. The Pennsylvania system does a large local business, and that road in the State of Pennsylvania is exempt from the operations of the long and short haul clause of the act as well as the New York Central is exempt within the State of New York. The Michigan Central has 700 miles of road in the State of Michigan over which the interstate act has virtually no control. The Canadian lines stretch long distances over sparsely settled sections and through comparatively poor communities, and their local traffic amounts to a small item. (Testimony, p. 500.)

Mr. Raymond contended that on all interstate business the Canadian roads were just as thoroughly controlled by the interstate commerce act as the American lines. In his opinion the first section of the act was so drawn as to govern the Canadian portions of our Canadian traffic, and there was no escape from liability under the act for the Canadian roads on any interstate traffic. Further than that, he thought that—

the ruling of the Interstate Commerce Commission in the Buffalo coal case shows a determination on the part of the Commission to construe that law strictly against the Canadian lines.

In thus presenting the arguments submitted upon both sides with respect to the effect of the short-haul provision upon the American railroads in their competition with the Canadian roads, it seems proper to call attention to the protection afforded the former by the provisions of the section itself and by the rulings of the Interstate Commerce Commission.

It is provided in the act that upon application to the Commission the carriers may in special cases, after investigation, be authorized to charge less for longer than shorter distances, and that the Commission may

from time to time prescribe the extent to which such carriers may be relieved from the operation of the short-haul provision.

And in the Louisville and Nashville case, in which the Commission first laid down the general principles that would govern it in passing upon cases based upon departures by the carriers from the general rule of the short-haul section of the act, referring to the circumstances and conditions that might justify a departure from the general rule marked out, the Commission specified certain cases in which—

the existence of actual competition, which is of controlling force in respect to traffic important in amount, may make out the dissimilar circumstances and conditions entitling the carrier to charge less for the longer than the shorter haul, over the same line in the same direction, the shorter being included in the longer.

And one of these cases, which evidently applied to the competition of the Canadian railways, was—

when the competition is with foreign or other railroads which are not subject to the provisions of the statute.

This very question was investigated by the Commission in the case of Martin *v.* The Southern Pacific, Central Pacific, and Union Pacific Railways, involving the violation of the short-haul section by the roads named in making higher rates from San Francisco to Denver than to Kansas City, a greater distance. The competition of the Canadian Pacific, a foreign railway, was relied upon by the defendants as justification for their violation of the short-haul section. The Commission obtained the exact amount of shipments over the Canadian Pacific during the period in question to ascertain to what extent the competition of that railway affected the rates under consideration, and in its decision, filed May 17, 1888, went fully into the character, extent, and results of that competition, thus indicating that the competition of a foreign railway might create such a dissimilarity of circumstances and conditions as would justify the competing American roads in departing in special cases from the general rule of the short-haul section. But in this case, as the result of the active competition with which the Canadian Pacific inaugurated the opening of its line had been its admission into the Transcontinental Association on the terms it demanded and the discontinuance of its competition at the points to which the rates complained of were made, the Commission held that the long-distance rates in question from the Pacific coast to Missouri River points were not at the time subject to "actual competition of controlling force in respect to traffic important in amount" engaged in by Canadian roads not subject to the provisions of the statute, and that there was no justification to warrant the defendants in charging more from San Francisco to Denver than to Missouri River points.

HOW THE CANADIAN PACIFIC INAUGURATED THE OPENING OF ITS THROUGH LINE.

Some extracts from this decision of the Commission will be of interest in this connection as an official and authoratative statement of the competition to which the transcontinental lines were for a time subjected by the Canadian Pacific Railway while the latter was endeavoring to make favorable terms with the former for a division of the traffic, and as showing the extent to which such competition may be carried. It was this period to which Mr. Van Horne, the president of the Canadian Pacific, referred when he said to the committee:

We had a little fight out on the Pacific coast at one time, and we took freight for pretty much everywhere to show that we were around, but we do not do that for a living.

The history of this contest between the Canadian Pacific and the other transcontinental lines is given by the Commission in the decision referred to, as follows:

In justification of the subsequent reduction on through business which took effect May 25, 1887, the carriers pointed to the completion of the Canadian Pacific Railway, which was practically a new factor in the situation, and which became energetic and active in the spring of 1887, contemporaneously with the taking effect of the act to regulate commerce. A new line was thus opened, running for 1,600 miles or more through a foreign country, which competed on the streets of San Francisco for business from the Pacific Coast to the Missouri River, Chicago, New York, and Boston. This completion was so managed as to make itself felt successively upon one commodity and another and at various points, forming a continual menace to the through business of the transcontinental lines in both directions, without undertaking the carriage of any very considerable amount of tonnage, except at the outset, when large consignments of sugar were shipped east for a few weeks over the Canadian line.

A steamer of the Pacific Coast Steam-ship Company left San Francisco weekly for Vancouver, where its freight was loaded upon the cars of the Canadian Pacific Company and taken East across the mountains to be delivered via St. Paul or via more Eastern routes, according to its destination. The rates of freight established for each sailing of these steamers have been regularly filed with the Commission; and the Commission has also obtained accurate information respecting the amount and destination of all goods shipped in each steamer sailing from San Francisco to Vancouver between April 1 and December 31, 1887. The shipments of May 13 and May 21 were each a little over 1,000 tons; the average of the 34 remaining shipments was about 150 tons each. The goods carried by this route to strictly Missouri River points were 944 tons of refined sugar (900 tons of which were carried on May 13), 7 car-loads of beans, 2 car-loads of dried fruit, 4 car-loads of canned fruit, and 1 car-load of bags. These articles were taken at rates lower than the rates in force at the time on the defendant roads. The Canadian Pacific rate on dried fruit to Chicago was at different times 90 cents and $1.

It does not appear that the Canadian Pacific line charged a less rate to St. Paul and other points in the United States near the northern boundary than it charged to Omaha, Kansas City, Chicago, New York, and other more distant points in the United States on the same line in the same direction. It is not known, however, that any limitation exists upon the said line in respect to charging any desired rate to and from intermediate points in the Dominion of Canada, without reference to the rates established at more distant points, either in Canada or in the United States; and higher rates to and from intermediate points are in fact there charged. Nor does it appear that the Canadian business of this carrier is subject to any statutory prohibition of rebates, drawbacks, or other forms of unjust discrimination, or to any restrictions in respect to preferences between persons or localities. So far as appears, its Canadian rates may be changed at will and be varied from at pleasure.

[Here follows a reference to the revision of the railway laws then pending in the Canadian Parliament, and which has been enacted into law since this decision was filed.]

The policy of the Canadian Pacific Company during the period following the taking effect in the United States of the act to regulate commerce was to maintain its rates between San Francisco and the Central and Eastern States, upon leading articles, a little below the rates made by the transcontinental lines in this country; this was designed to compel the recognition by the latter of the general principle which it asserted, that rates upon a circuitous line between like terminals should be lower than rates upon the direct line, in order to enable the longer route to obtain a certain portion of the traffic. In other words, that natural disadvantages, operating to the prejudice of a route competing for the business in question, should be compensated by the privilege of offering to the public a lower rate.

And that policy was pursued with sufficient energy to produce at least the effect desired. On January 16, 1888, an arrangement was made by which the Canadian Pacific Railway became a member of the Transcontinental Association. The transcontinental lines, including the Canadian Pacific, are now working under a tariff which fixes rates from Pacific coast points to Missouri River common points and easterly to New York that are considerably advanced from the low rates which prevailed after May 25, 1887. The new tariff provides that on rates from San Francisco to Chicago and the east, via the Canadian Pacific Railway, certain differentials are to be deducted, amounting to a reduction of from 5 to 10 per cent. in favor of the Canadian road. No differentials are given that line on shipments to and from the Missouri River; the result of which is that business from the Pacific coast to Missouri River points is not now competed for by the Canadian road. (Vol. II, Interstate Commerce Commission Reports, 17-20.)

OBSERVANCE OF THE LAW BY THE CANADIAN RAILWAYS.

While the question of fact as to whether the provisions of the interstate commerce act are observed by the Canadian railways is not directly involved in the present inquiry, and is one that should properly be passed upon by the Interstate Commerce Commission rather than by this committee, it seems in order to briefly review in this report the statements upon this subject made in the course of the hearings held by the committee. Even a casual reading of the testimony will reveal decided differences of opinion on the subject among those examined by the committee.

Mr. Albert Fink, who as commissioner of the Trunk Line Association has for years had supervision of the tariffs and operations of the Grand Trunk Railway of Canada, which is a member of that association, said:

I think it is altogether a voluntary thing with the Grand Trunk to obey the law or not. It is a matter of policy with them. I think their policy is to obey it. I think they find that this is the wisest and most profitable course; but it is voluntary with them. I do not think we can enforce the law upon them.

Senator GORMAN. Do you think the conditions that might be enforced with respect to the inspection of cars is sufficient to keep the Grand Trunk in line with our roads?

Mr. FINK. I think the expectation that you may take that course is a strong element in their trying to obey the law.

Senator GORMAN. Is not that the only hold you have upon them?

Mr. FINK. No; I think they have always shown a disposition to co-operate under the general principles on which the trunk lines co-operate. They have always been a party to that agreement. I think they understand it, and feel that that is the only way they can manage their property properly. They are very much opposed to war and low rates. Their existence depends on getting something for the work they do. They can not afford to go to war.

Senator GORMAN. So you do not apprehend any trouble with the Grand Trunk.

Mr. FINK. No, sir; no more than with American roads. (Testimony, p. 24.)

And in answer to another inquiry Mr. Fink said:

So far as my intercourse with the Grand Trunk is concerned, it conforms to our rules and tariffs about as well as other roads do. I believe the Grand Trunk is a little more aggressive (to use a mild term) in securing business and taking every advantage they can. I think they have been more conservative since the interstate law has been in effect. They do not want to be disturbers, and I think they have sense enough to know that if they get too much business the American lines will not stand it. The Grand Trunk will go for all that is within reach, but at the same time they will not do anything that will cause a disruption. That is the policy they pursue, and that is the policy of most roads. (Testimony, p. 19.)

Mr. Chauncey M. Depew, of the New York Central, said:

I think that the Grand Trunk officials have tried to live up fairly to the law. (Testimony, p. 62.)

On the other hand Mr. John King, president of the Erie road, expressed the opinion that the Canadian railway men "do not mind the law," and said:

Of course we can not tell how they act up there, not nearly as well as we can tell how we act ourselves; but we know this, that they have abundant opportunities for doing things contrary to law without being punished.

The CHAIRMAN. What are these opportunities?

Mr. KING. The opportunities are these: As an example of what they can do, and I must confess I believe they do it, they make a contract with a man in Chicago to take his export business to Liverpool, and they give him rates and the rates are on the bill of lading, and everything is right on the face of it and hardly anybody knows anything different; but it is the easiest thing in the world, and I am told it is a fact, for the freight agent in Montreal to send a draft to the man in Liverpool or London paying him a rebate. If the rate is 25 cents on a bill of lading and the agent agreed to make it 22 cents, the 3 cents in sterling is sent to Liverpool. (Testimony, p. 46.)

Subsequently Mr. King further stated:

Well, I could not prove it, and I would not attempt to prove it, but my impression is that they do these things. I have understood that they give drawbacks.

The CHAIRMAN. And in fact the Canadian road does not obey the law as you do?
Mr. KING. No, sir.
The CHAIRMAN. And violates it by giving rebates?
Mr. KING. I can not account for it in any other way. I do not say anything about our line. But you take a line like the Lake Shore. Nobody knows any better line than the Lake Shore running from Chicago to the East. The Michigan Central also is a good line. It runs to Detroit and runs over the Canadian Southern, which they lease, to the Niagara frontier. Everybody knows that the Pennsylvania Railroad is a splendid line, and yet the Grand Trunk go into Chicago and get, as they did a week or two ago, 39 per cent. of the business, when it used to get less than 20 per cent. [This supposed large increase in the traffic of the Grand Trunk from Chicago was reported through a mistake in making up the returns.]

Mr. S. M. Felton, jr., first vice-president of the Erie road, being asked if he knew whether it was true, as claimed, that the Grand Trunk rigidly observed the law, replied that he did not know anything to the contrary. He had an impression that the Canadian roads had been observing the law since it had been amended, but did not think they observed it any more than the American lines prior to that time.

Mr. John Newell, president of the Lake Shore and Michigan Southern Railway, speaking of the steady increase in the tonnage of the Grand Trunk from Chicago, said:

I am inclined to think that a large portion of their success is due to their violation of contracts and compacts which they enter into for the maintenance of rates; not that they are accustomed to coming into the field openly and making low rates publicly, but, as a rule, in all negotiations they are found advocating high rates, and after the rates have been established making low ones privately where they can secure large shipments by doing so. (Testimony, p. 256.)

Mr. Henry B. Ledyard, president of the Michigan Central Railroad, expressed the opinion that the Grand Trunk did not observe the law as to traffic going from the United States into Canada, and cited in proof the Buffalo coal case decided against the Grand Trunk by the Commission. He also submitted a case of non-compliance with the published tariff, as follows:

I have another case of non-compliance with their published tariff. Here is a tariff-sheet of the Grand Trunk Railway [exhibiting] reading, "Interstate tariff on grain from Port Huron ex-lake from Chicago." It gives no other point but Chicago as the point of origin. Grain has been taken out of our elevators in Detroit in the last month by vessel and taken to Port Huron, and thence forwarded by the Grand Trunk to Portland, Me. The rate from Detroit to Portland by the Grand Trunk and the Michigan Central is the same.
The CHAIRMAN. The published rate is the same?
Mr. LEDYARD. Yes, sir; and the all-rail tariff from Port Huron to Portland is the same as Detroit to Portland. Here is a tariff on grain only, ex-lake from Chicago [exhibiting]. That same tariff is applied by the Grand Trunk on grain by vessel from Detroit to [illegible]land. That results in reducing the rate, all-rail, by 2½ cents.
The CH[illegible]. Which is a means of getting around the interstate commerce act without a[illegible]day discovering what it is. That is the case you have just described?
Mr. LEDYARD. Yes, sir; I can not find that any tariff has been issued from Detroit via lake and via Port Huron to Portland, or any other eastern point.
The CHAIRMAN. What is the date of that last tariff you speak of?
Mr. LEDYARD. April 10. That specifies the point of origin as Chicago.
Th[illegible] CHAIRMAN. But it does not show where the traffic is going?
Mr. LEDYARD. It gives the point of destination, but says the grain must be ex-lake from Chicago. (Testimony, p. 268.)

Mr. C. S. Mellen, traffic manager of the Union Pacific Railway, believed that the Canadian Pacific was cutting the published rates. He said:

The Canadian Pacific is increasing its proportion of tonnage carried. When a road in the month of April will do 34 per cent. of the business going out of San Francisco, and when that road is such a road as you will see the Canadian Pacific is by looking on the map, it certainly looks as if something was wrong. I do not believe that business was ever done on the differentials, which the association allows the Canadian Pacific. I believe there is a cut. I have no doubt of it.

Senator GORMAN. Would not the fact that the Canadian Pacific carried so large an amount of the business out of San Francisco be positive proof that there was a cut?

Mr. MELLEN. I do not believe there is a railroad man but who believes that there is a cut. It may be a concession on business that goes from San Francisco to Montreal. They might give a concession on Montreal business in the Dominion of Canada, and it would be wholly legal, and, at the same time, it might be used to induce the shipment of American goods over that line.

Senator GORMAN. Do you know of any case where a drawback has been given?

Mr. MELLEN. I have not absolute proof of it. (Testimony, p. 363.)

It was stated by Mr. Ashley Pond, solicitor for the Michigan Central, that there had been some controversy as to just to what extent the Canadian roads were subject to the interstate-commerce act, and that—

almost every step of the way has been controverted by the Canadian roads, or by the Grand Trunk—every step of the attempt to enforce the act against them has been controverted.

Mr. Pond made one suggestion which would seem to have a very different application than the one he gave it. He said that his company was advised that the Grand Trunk gave a lower rate to passengers who crossed the river at Detroit and began their journey in Canada than to those who started from Detroit. When asked if his road could not do the same thing on its Canada Southern line, Mr. Pond replied:

Our passengers could go across the river and start similarly; but we have desired to obey the law strictly, because we have felt a fear, whether there is any occasion for it or not I do not know, that if the Canadian roads did not obey the law there might be some restrictive legislation that would greatly decrease the value of our roads on the other side of the river. I do not know what we might not do if we were not under some fear. (Testimony, p. 531.)

It may be fairly presumed that the Grand Trunk, a foreign corporation, would be under as much restraint, if not more, on this account than an American road operating a line through Canada.

Having by these extracts shown the character of the charges made against the Canadian railways with respect to the question of their observance of the law, it is in order to bring together the substance of what was said upon the other side.

When questioned as to the observance of the law by his company, Mr. Joseph Hickson, general manager of the Grand Trunk Railway of Canada, replied:

We consider all our business interchanged with the United States and all our business carried through Canada from State to State is subject in the fullest degree to the interstate-commerce act. We have never assumed any other position.

The CHAIRMAN. You mean to say, taking the business between Chicago and Portland, for instance, that you publish the rates?

Mr. HICKSON. Yes.

The CHAIRMAN. And abide by them absolutely; is that so?

Mr. HICKSON. Certainly.

The CHAIRMAN. In doing that do you take advantage of what our roads can not do—recoup on local traffic in your own country?

Mr. HICKSON. Now, you must put that a little differently, for I am not quite sure what you mean. I want to give the fullest information I can.

The CHAIRMAN. Our American railroads are forbidden to charge more for the shorter than for the longer haul. They are forbidden to charge more for a short distance on their line than for a long distance—a larger aggregate sum. Now, so far as your business in Canada is concerned, having no relation or reference to the United States whatever, as I understand, you have no law regulating you, and you can charge what you please, consistent with your obligation to the people, between local points or points between Detroit and Montreal.

Mr. HICKSON. Not between Detroit and Montreal. Where we have traffic between Detroit and Montreal we consider it under the interstate law, and that we are bound to obey. But as regards purely Canadian traffic we are in the same position to-day as the New York Central. They can make what rates they like, so far as the interstate law is concerned, within the State of New York. We are in the same position with regard to the provinces. For local rates through the provinces, of course, we

are not amenable to the interstate act, but as a matter of fact I believe that the local rates in Canada on the Grand Trunk are as low, if not lower, than the rates on United States lines, for the reason that for nearly the whole length of the Grand Trunk system we have water routes that regulate the rates. (Testimony, p. 93.)

In answer to further inquiries Mr. Hickson stated that his company complied with the interstate act in all respects, and considered itself bound by it as to all business except that beginning and ending in Canada. He explained the Buffalo coal case which has been previously referred to, saying that it only applied to coal shipped into Canada from Buffalo, and not to any other traffic; that there was no secrecy about the lower rates made to large shippers; that these rates were made on the advice of their counsel; and that when the Commission decided against their right to make such differences new tariffs were sent to the Commission made in accordance with its directions.

Being asked if as a matter of fact the local rates of the Grand Trunk in Canada were higher or largely higher than those made under the interstate act, Mr. Hickson replied:

The local rates are undoubtedly higher in proportion than the through rates, but I do not think they are higher than the local rates in the States, and they are simply made in reference to the exigencies of the business. I will give you the reason why our rates are very low in Canada, and that is because during the season of open navigation we are running alongside the carriers on the St. Lawrence River and the lakes.

He also stated that the local rates in Canada had not been changed on account of the lower rates made on interstate commerce or because of the enactment of the interstate commerce act.

Mr. Hickson also stated positively that no rebates or drawbacks had been paid by either the Grand Trunk or the steam-ship companies since the passage of the law, and that his company had not been buying traffic by any rebates or concessions, because it had made none. He explained the increase in the traffic over his road from Chicago by saying it was due to the superior facilities provided there for the shipment of grain.

Mr. William C. Van Horne, president of the Canadian Pacific Railway, answered similar inquiries as follows:

The CHAIRMAN. You take a consignment at Puget Sound at very much less than you take a consignment 500 miles this side of Puget Sound coming east, do you not?

Mr. VAN HORNE. No. Our local rates in Canada have been graded down to meet the requirements of the United States interstate commerce act.

The CHAIRMAN. Do you pay any attention to that act?

Mr. VAN HORNE. Yes, we are as strictly bound by it as if we were operating in the United States.

The CHAIRMAN. With respect to goods that you take at Puget Sound, or goods that you get in the United States and take to Montreal, do you regard the interstate commerce act?

Mr. VAN HORNE. Yes, sir; we regard every pound of it as subject to the interstate commerce act. (Testimony, p. 241.)

Senator GORMAN. I understood you to say a moment ago that in point of fact the Canadian Pacific observed the requirements of the interstate commerce law. What do you mean by that?

Mr. VAN HORNE. I mean that all United States freight and all freight we take from one point in the United States going into Canada and freight from Canada into the United States to another point in the United States, is carried in conformity to the provision of the interstate commerce act, so far as we understand those provisions.

Senator GORMAN. That is to say, you publish your rates on the roads located within our territory?

Mr. VAN HORNE. Yes.

Senator GORMAN. And you take the freight through to the point of destination without giving rebates or drawbacks of any description.

Mr. VAN HORNE. Yes, sir. I believe we fully comply with the requirements of the act in that respect. Every agent we have working on United States territory, as I understand the law, is liable to imprisonment if we fail to do so.

Senator GORMAN. What portion of the dead freight goes through from your seaport to Europe?

Mr. VAN HORNE. We have done practically none of that business. The export business from United States points to Great Britain we have not much of. It is almost infinitesimal. There is nothing in it. We have not sought the business. We are building a line to the Detroit River now, and possibly we may try to get some of it when it pays.

Senator GORMAN. You observe the provisions of our law upon that trade alone.

Mr. VAN HORNE. Yes, sir.

Senator GORMAN. But how as to the other branch, where our roads are required not to charge more for a shorter haul than a longer haul? Do you observe that as to all freight going over your road, no matter where it originates?

Mr. VAN HORNE. I think it is observed all the way through. I remember overhauling only a few months ago our traffic department for a reduction of rates in the interior of British Columbia, and I was told that it had to be done on account of the interstate commerce act. Our intermediate rates were governed by the provisions of that act as well as the intermediate rates of railways in the United States were. I do not know but that we have misconstrued the law in that respect.

Senator GORMAN. You do not mean to say that you apply that principle to freight originating in Canada for delivery to points in Canada?

Mr. VAN HORNE. Yes, sir. We have no higher intermediate rate than the rate we get on State to State traffic carried over the same line, so I am informed by our traffic department.

Senator GORMAN. So you voluntarily enforce the long and short haul clause?

Mr. VAN HORNE. We had to do it or stay out of the business, as we construed the law. We did not want to pay the fines or have our agents go to prison. I think our tariff manager was so advised, and he made his tariffs in accordance with this advice. This was the case only a short time ago. I do not think there has been any change or I should have heard of it. (Testimony, p. 247.)

Subsequent to his appearance before the committee Mr. Van Horne submitted a letter upon the subjects covered by the above inquiries addressed to him by Mr. George Olds, traffic manager of the Canadian Pacific. From this it appears that the Canadian Pacific at first observed the interstate commerce act as to local traffic within Canada, as stated by Mr. Van Horne, but that after the transcontinental tariffs were revised in January Mr. Olds did not deem it necessary to follow the frequent changes made on all the domestic business within Canada. He states that in a few instances he had departed from the strict ruling of the law as to Canadian traffic, and adds:

So far as States traffic is concerned, whether "States to States" traffic or traffic between Canada and the States, we have been governed by the interstate-commerce law. We have not attempted to discriminate between individuals or localities; nor have we paid rebates or anything equivalent thereto in any shape or form; nor have we assisted our American connections in any way to evade the law.

We have been unable, as I have before stated, and for the reasons stated, to bring our domestic traffic strictly within the long and short haul principle; but I can safely assure you that both the letter and spirit of the interstate-commerce law has been far better observed by the Canadian Pacific than by any of its competitors in the United States. The reports to the contrary originate with rival lines or interested parties and their purpose is obvious.

The laws of Canada prohibit pooling, also discriminations as to localities and individuals; they do not, however, prohibit carriers from charging less for a long than for a short haul, the Canadian lines being left comparatively free from the long and short haul restriction, owing to our extensive lake-coast lines and the competition the water-routes insure to shippers during the season of navigation, but our deviations from the long and short haul principle in this domestic traffic do not in the slightest degree affect our American competitors.

The full opening of the lines between Montreal and St. Paul and Duluth, via Sault Ste. Marie, for all traffic may require us to make our rates on local traffic between points in eastern Ontario, the province of Quebec, and the Ottawa Valley and Sault Ste. Marie conform to the long and short haul principle of the interstate-commerce law. As we have but recently opened this line for through traffic our existing local tariffs may be considered temporary. The traffic of this part of our system during the season of navigation is exposed to lake competition; but we will have no greater difficulty in conforming strictly to all the provisions of the interstate-commerce law than will our American competitors. We should not, however, be expected to conform to that law any more strictly than they do.

With regard to the products of the country, we are governed in Ontario generally by the rates from Detroit to the Atlantic sea-board, and we find that the Detroit rates are as high as we can get on domestic produce shipped from any Ontario point east of the Detroit River and the Georgian Bay. The necessity which compels the Canadian farmer to seek foreign markets in common with his American neighbor forces us to conform to the rates offered by the American lines. (Testimony, pp. 254–255.)

Mr. Alden Speare, president of the Chamber of commerce of Boston, who represented a large number of the commercial organizations of that city before the committee, stated that—

I have read with great care the testimony taken in New York, and I have also read statements of parties in Chicago. I find there is not a man but who says the Canadian roads have served him reasonably, honorably, and squarely; that he has had no rebates in any shape or kind, and does not believe anybody has. So far as my own knowledge goes, no man in Boston or New England receives any rebate from the Canadian railways. (Testimony, p. 380.)

Governor J. Gregory Smith, president of the Central Vermont Railroad, said:

I doubt if there is a president of any of the competing lines known as the trunk-lines who would be unwilling to admit that in all the dealings of the Grand Trunk system, so far as its relation to the interstate commerce law is concerned, they have endeavored to conduct their business upon sound business principles, and to recognize the fact that they are to a large extent dependent for the prosperity of their road upon their relations to the American traffic, to the traffic of the United States. They are the simple medium of transportation from one important point of the United States to another—from the point where the products of the country are raised to the consumer. It is the medium by which what the East has to eat is brought to them, and so the Grand Trunk feels itself compelled, as a pure matter of self-protection and as a matter of sound policy, to conform to such rules and regulations and fair dealing as the roads in the United States are compelled to conform to under the interstate commerce law, whether all its provisions be sound and wise or not.

In all my intercourse and association and experience with the Grand Trunk road—and we are in daily communication with them on all the points involved in this inquiry—I have found that in practice they have not only shown a readiness to conform to the requirements of the law, but also a ready disposition to throw no obstacle in the way of its fair execution. (Testimony, p. 441.)

Mr. William G. Brownlee, a lumber manufacturer of Detroit, testified:

I have been a shipper over the Grand Trunk and other roads for a great many years, certainly for twenty years, and I have never received a cent from the Grand Trunk Railroad in the way of rebates, and quite recently we have been exporting by the Grand Trunk Railroad. (Testimony, p. 536.)

And it was suggested by Mr. A. C. Raymond, of Detroit, that—

The only charge that is made against the Canadian lines is that they have opportunity for violating the law by way of rebates and all that sort of thing. Now, the American lines have the same opportunity if they choose to violate the law as the Canadian roads, and I think, if this committee will recall Mr. John Newell's testimony given before the committee in New York, he stated that it was an easy thing for railroads to pay rebates—an easy thing for any railroad to pay rebates—without its appearing on their books or in their vouchers.

So far as opportunity is concerned it seems to me that the American lines and the Canadian lines are alike, and the mere charge that the Canadian roads do these wrongful things because they have the opportunity should have no weight with this committee considering this great question of the importance of the Canadian lines to American business interests.

Senator HARRIS. The opportunity being common to all railroads?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Provided they are not caught.

Mr. RAYMOND. Yes, sir. And further, it seems to me, that the Canadian roads are in a more dangerous position and less likely to violate intentionally the interstate commerce act than the American roads, because I should be in favor, and I think every American citizen would, that if they willfully, intentionally, and defiantly disobey the law that they should be cut off, and I think they are conscious that they would be the loser. So that the restraint upon Canadian lines is very much greater than upon the American lines, and the Canadian lines are less likely to violate the law, and so far it has not been shown that they have willfully violated it. (Testimony, pp. 501–2.)

Mr. David Edwards, Assistant General Manager of the Flint and Pere Marquette Railroad, stated that his road at certain seasons carried considerable freight destined to Canadian points, and he did not know of a single instance in which any allowance had been made to shippers from the published rates on such freight. On the subject of rebates he further testified as follows:

The CHAIRMAN. Is there any arrangement by which a Canadian—a man living across the line—can get a rebate, and by which he can avoid being detected in so doing where Americans would be detected if they did the same thing? Can any of you go on and disregard the law, pay rebates, or make secret rebates without being caught at it?

Mr. EDWARDS. Not on this side of the frontier.

The CHAIRMAN. How about the other side?

Mr. EDWARDS. That depends. If the man in Canada can be put on his honor I have no doubt it could be done. It is the same way here. It is a question of honor. If you say to him, "Here, I will pay you 5 cents rebate, and you say nothing about it," you have to depend on his honesty. I would not dare, and I do not think the railroad companies and their representatives to-day would dare, to make such a proposition. I think they are afraid to do anything of that kind. They are getting out of the habit of doing it. (Testimony, p. 544.)

Mr. William J. Spicer, general manager of the Detroit, Grand Haven and Milwaukee Railroad, and of the Chicago and Grand Trunk Railroad, entered a denial of the statements made by Mr. Pond in reference to the payment of rebates by the Grand Trunk. With respect to the Buffalo coal case he said:

So far as concerns the shipment of the coal to which he referred that matter has been tried before the Interstate Commerce Commission and a decision has been reached. There is no doubt that a concession was made to a shipper on coal to some place in Canada on the ground that he was a large shipper and provided a special coal-yard and gave particular dispatch to the unloading of the cars. That is why the concession was made, and it was not considered at the time to be a violation of law. (Testimony, p. 545.)

He thought this concession was stopped as soon as the decision of the Commission was made known, and did not believe the violations of the act and discriminations charged had been going on, and he was in a position where the rates were brought to his notice and he would be apt to know it if such discriminations were made. Mr. Spicer's answers to questions concerning the observance of the law by the Grand Trunk were as follows:

I am quite sure that our desire is to observe the interstate commerce law in every particular. We have no desire to evade it.

The CHAIRMAN. How far do you regard the interstate commerce act as extending with reference to business going into and coming out of Canada?

Mr. SPICER. I understand that it extends to all business going through Canada from one United States point to another.

The CHAIRMAN. And not on traffic from the United States to Canada or from Canada into the United States?

Mr. SPICER. I think it applies to that business. I should so interpret it, and I believe it is so interpreted by our people of the Grand Trunk.

The CHAIRMAN. Does that in any way operate in favor of your roads or against them?

Mr. SPICER. I do not think it is against the road. I think it leads to a maintenance of rates, a steadiness of rates, which is very desirable. The tariffs are published and I think generally observed. (Testimony, p. 546.)

THE ADVANTAGES AFFORDED SHIPPERS IN THE UNITED STATES BY THE FACILITIES FOR TRANSPORTATION FURNISHED BY THE CANADIAN RAILWAYS.

The geographical situation of Canada with respect to the United States is such that the railway lines extending across the peninsula of Canada between New York and Michigan afford the shortest and most direct

channels of communication between important sections of the United States contiguous to the Dominion of Canada in the West and Northwest and in northern New York and New England. With their connections in the United States they afford direct lines of transportation between other sections of the West and on the Atlantic sea-board; and for still larger areas of territory in the East and West, between which the Canadian railways do not in all cases constitute the most direct lines of communication, they furnish routes sufficiently advantageous to largely increase the facilities for transportation such sections enjoy and to render more active the competition between rival lines which secures to the shipper better service and more favorable rates.

There is no doubt that the Canadian railways engaged in transportation within the United States have contributed very materially to the development and commercial prosperity of those particular communities they have directly served, and that they have also benefited other sections of the United States in so far as their competition has tended to regulate and reduce the rates charged upon other lines of transportation. To those commercial centers and communities which they have most directly benefited the continuance of the advantages afforded by the Canadian roads is a matter of vital importance. Many millions have been invested in business enterprises of all kinds that are dependent for their existence and success upon the transportation facilities which the Canadian railways have furnished or assisted in securing, and any action by Congress that would result in the withdrawal or abridgement of these advantages would prove disastrous to the communities in question.

These communities naturally regard the continuance of the relations at present existing between the shippers of the United States and the Canadian railways as of vital importance to their commercial prosperity, and emphatic protests were made to the committee in their behalf against any legislation that would in any wise restrict the privileges now enjoyed by the Canadian railways under the existing system of transportation in bond or that would occasion the withdrawal of the advantages these foreign lines now afford.

The extent to which these Canadian railways have proved of benefit to shippers in the United States will more clearly appear by grouping together some of the statements made and views expressed upon the subject by witnesses who appeared before the committee.

Mr. Erastus Wiman, of New York, was of the opinion that—

> there has been no contribution to the Western States quite so advantageous as the construction of the Canadian railways. Next to the construction of the American railways and the provisions of nature in the water-ways which Mr. Hill has spoken of just now these Canadian railroads have proved the most beneficial. I think the Canadian railways have contributed more to the facilities for the handling of products going east and the merchandise going west, at rates lower than ever before dreamed of, than any other enterprises that have been inaugurated in this country. First, there is the directness of route, and second the business has been done at rates so low that they never paid anything on the capital invested. (Testimony, p. 190.)

He thought the facilities afforded by the Canadian roads had done more to develop the West than anything else, and said:

> These roads have paid nothing to the investors, while at the same time they have afforded enormous advantages to the West. The Vanderbilt line, known as the Canada Southern, the old Great Western line, and the Grand Trunk are three great avenues running as straight as a crow flies across the Canadian peninsula from New York to Michigan. The Canada Southern is the best line toward the West. It is perfectly straight, and can carry more stuff to the train than any other line. It has low grades and comparatively no curves at all. Then there is the Grand Trunk running down from Sarnia to Toronto, Montreal, and Boston. Then there is a northern route that formerly carried enormous amounts of grain from Georgian Bay

to Toronto and then reshipped it across the lake into the canals. Then there was a route from Georgian Bay, by Port Hope, to Rochester; then the Grand Trunk line from Port Huron to Ogdensburgh, taking the river from there and crossing and joining the Vermont Central system and other roads to New England. Besides this the Canada Pacific will soon be at Detroit, and add still another link to the Great Soo route as an outlet for American produce. So that it would be impossible to have a more complete system or means of communication between the extreme East and West than these two great roads afford. The development of this Soo route has cost millions of dollars of American capital, which would be completely lost if you adopted extreme measures. (Testimony, p. 196.)

Mr. Charles S. Smith, president of the Chamber of Commerce of New York, said of the Canadian lines that—

they have been of very great advantage to New England and to the West. There are a large number of very important mills, with a production of from one to two millions per annum, located in the East, notably at such places as York, Lewiston, Saco, and Biddeford, which can ship their goods by the Canadian lines direct to Chicago quite as cheaply, and I have known instances in which they have been shipped 5 cents per hundred cheaper, than they could be landed in New York from the points I have named.

Now, it is unfair to cut off Chicago and other western cities from these facilities. If you should do away with competition by the Canadian lines our Western friends would, in many instances and at certain times, have to pay at least 50 per cent. more on freight, because the goods would have to be brought to New York or Boston and then shipped to the West. (Testimony, p. 278.)

Mr. Charles F. Choate, president of the Old Colony Railroad, expressed himself as clearly of the opinion that—

the Canadian lines in the past have exerted a very important part with respect to all business to and from New England. It has simply been through the competition of the Canadian lines that rates to and from New England have been reduced. The Canadian roads have made manufacturing more possible and more profitable in New England than it ever was before. All the heavy freight brought here is brought at much lower rates since the Canadian roads have entered into this business, and the products of New England have been carried cheaper than they ever were. (Testimony, p. 322.)

I think the opening of the Canadian roads has been much more important to the people of New England than it has been to the owners of those roads, I do not think the owners of those roads have got very much money out of the New England business, What business has been done has been done at extremely low rates. (Testimony, p. 332.)

A comprehensive showing of the importance of transportation facilities to New England was made by Mr. Alden Speare, president of the Boston Chamber of Commerce, when he stated that—

New England has 8 per cent. of the population of the United States, and grows one-fourth of 1 per cent. of the wheat crop and one-half of 1 per cent. of the corn crop to feed 8 per cent. of the inhabitants of the United States; not enough to supply the inhabitants of Rhode Island alone, and we have to buy annually of and bring from other sections 550,000 tons of grain, 525,000 tons of flour, and $50,000,000 worth of meat for our own consumption. We grow but 4 per cent. of the wool crop of the country, but consume 50 per cent. of the entire clip and 55 per cent. of all consumed in the country. We grow not a pound of cotton, but consume annually 23 per cent. of the whole crop and 75 per cent. of all consumed in this country.

While New England has 31 per cent. of the water-power employed in industrial work, we also have 15 per cent. of steam-power, and consume 5,250,000 tons of anthracite and 4,000,000 tons of bituminous coal, and we do not produce a pound of either, and, of course, buy of and transport from other sections.

The estimated value of American goods consumed in New England in 1888 was $310,000,000.

New England annually produces more than $200,000,000 in value of boots and shoes and leather, at least 50 per cent. of the production and consumption of the United States.

Such being our inability to supply our own wants within our own borders, the value to us of reasonable freight rates must be apparent to every one, and the absolute necessity in order that we may retain such reasonable rates that we should retain every line of transportation that we now have to and from other sections of our country that furnish us our needed supplies and take our manufactured products. (Testimony, p. 367.)

Mr. Speare considered the facilities furnished by the Canadian lines under the existing bonding regulations of vital importance to New England and a manifest advantage to every section of the country that furnished New England with any of its supplies or consumed any of its products. And he expressed the belief that it would be gross injustice to those industries which have been created and fostered by these facilities to deprive them of facilities which can not be supplied on equally advantageous terms by any existing American line.

Mr. Speare stated that prior to the establishment of the Canadian lines, when Boston depended upon the New York Central and the Boston and Albany, the rates were high, but that, through the opening of the Hoosac Tunnel and the arrangements made with the Grand Trunk and the Lackawanna and Western, the rates had been reduced, and a large number of towns in New England had secured the advantage of the Boston rates.

To illustrate the benefits derived through the Canadian lines, he stated that—

when the interstate commerce law first went into effect the Trunk Line Association notified the various lines that they must not give any reduced Boston rates beyond Boston. A little later the Canadian Pacific perfected its arrangements whereby it came in contact with the whole Boston and Maine system, and opened up, in connection with the Grand Trunk, seven or eight hundred towns in New England which became benefited by Boston rates, as well as towns in Canada. So that to-day goods can be shipped from the West by means of the two Canadian lines and their connections; also by the Red, White and Blue Line, and the Erie Despatch, and one or two other lines, to a vast number of towns in New England, to the great benefit of the people.

Mr. Mellen admitted here on yesterday that north of a line drawn through White River Junction there was great benefit derived by the existence of the Canadian lines. But we could draw the line at the Fitchburg Railroad, or, for that matter, take in the territory north of the Boston and Albany, and say that all that country is benefited by the Canadian lines. (Testimony, p. 369.)

The views entertained upon the subject by the commercial organizations of Boston are indicated by the following paragraphs of the resolutions adopted by the Boston Executive Business Association, which is composed of eighteen different organizations:

Resolved, That for many years a considerable quantity of produce from the Western States has been carried through Canada to Boston, not only for home consumption, but also for export from the port of Boston, and a large amount of manufactured and imported goods has been sent from Boston to Canada, and through Canada to the Western States, much to the advantage of Boston and New England interests.

Resolved, That the route through Canada, to and from Boston, is geographically the natural route for many places of importance in the Western and Northwestern States.

Resolved, That for the long period during which business has been open to the merchants and manufacturers of Boston and New England by this channel, it has been carried on by the Canadian railway companies undertaking it in a fair and greatly advantageous manner.

Resolved, That a competitive route through Canada, independent of other trunk lines in America, has been of great benefit to the merchants, manufacturers, and the community generally of Boston and New England, as by that means any tendency there might otherwise have been to charge exorbitant rates has been held in check. (Testimony, p. 367.)

In behalf of the business interests of Boston Mr. H. B. Goodwin, president of the Boston Executive Business Association, who also represented the Boston Chamber of Commerce, stated that—

the Boston Chamber of Commerce represents a number of large and important interests, particularly in Boston—the breadstuff interest, the produce interest, the provision interest, the oil interest, the grocery interest, and a number of other interests of less importance. To three or four of these interests the maintenance of the Canadian traffic (the traffic over the Canadian roads in all its entirety) is especially

important. Take, for instance, the grain interest. During the winter season—the season of closed navigation—a very large proportion of the grain shipped from Chicago to Boston and New England, as much as 40 per cent., is carried over the Canadian roads, leaving Chicago by the Chicago and Grand Trunk Railroad, and carried by the northern route to New England and there distributed. Port Huron is the principal point where the Grand Trunk receives its grain. The grain is stored on the eastern coast of Georgian Bay during the season of navigation, and distributed later in the season to northern and northeastern New England, as occasion requires.

We will take next the produce interest, which is a very large one, especially with Boston. That interest complained that until the advent of this Canadian transportation, this route by the Chicago and Grand Trunk, and also over the Grand Trunk of Canada, they had to submit to high charges and poor transportation service, and that the Grand Trunk has been the means of improving the service and lowering the rates. Ten or twelve years ago, when this National Dispatch Line was established, the rate on British products, such as butter, cheese, and eggs—butter more particularly—was $1 a hundred, and the time consumed in the transportation of it from Chicago and the initial points to Boston was at least twelve days. Owing to the competition established by the Grand Trunk line the rates were reduced from $1 a hundred to 75 cents a hundred, and the time of carriage has been reduced from twelve days to six, and even five days. In many cases the time from the West to Boston is not now over four days, thereby obviating the necessity of re-icing the cars in transit, which was a matter of considerable expense. (Testimony, p. 388.)

Mr. Goodwin further stated—

That immediately after the passage of the interstate commerce law the trunk lines withdrew their through Boston rates from a large number of New England points, terminating the billing at Boston, and thus compelling New England freight to pay the local rates, ranging from 5 to 10 or 15 cents, according to distance. That operated in this way, as was foreseen at the time the interstate commerce law was passed: A 5-cent arbitrary, added to the local freight on the Canadian roads, enabled New York merchants to come in by water to Boston and to various points along the Massachusetts coast, and take from us our Boston business. During the first summer, while that state of things continued, the largest consumer of grain in Boston was supplied by vessel from New York. The Canadian lines came to the rescue at that point, and, as has been stated, opened up several hundred points in southeastern New England at Boston rates, and the American trunk lines were compelled to follow.

The effect of restricting or suppressing this Canadian traffic would undoubtedly be to restore that condition of things of which I have just spoken, namely, to withdraw again the Boston rates from this very large number of New England points and terminate billing at Boston, thereby increasing the cost to the consumer by just so much on all the food products that are brought from the West.

I do not mean to claim that the Canadian lines have been reckless in rates, for they have not. The trunk lines seem to consider New England a harvest-field from which to reap large profits, and this competition on the part of the Canadian lines is about the only check we have. Aside from the competition of the Canadian railroads it can hardly be claimed that we have any competition because, although we have two trunk lines, the West Shore line and the New York Central, they are both under Vanderbilt control, and the New York and New England route is so circuitous, that at minimum rates they are unable to compete.

Boston has had a hard struggle for years to maintain her trade against all these disadvantages, and it is vital that we should not now lose any of our advantages. (Testimony, p. 392.)

Speaking for the Arkwright Club, of Boston, composed of manufacturers representing the principal industries of New England, Mr. L. M. Sargent said:

It is very essential, indeed, to the mills of New England, especially to those in Maine, New Hampshire, and Massachusetts, that every possible means of transportation should be kept open. Business is under sharp competition, and any regulation of the Canadian roads which would tend to increase the cost of transportation would be a serious injury to the mills.

The business of making freight contracts is done by the customers, by the buyers who live in the Northwest and West—speaking now of the business that goes to the Northwest. They are, therefore, familiar with the rates of freight, and the managers of the mills here in New England are not, as a general rule. Our customers prefer to use the Grand Trunk for certain portions of their shipment, particularly in the winter season. The Canadian Pacific is used principally on business for export to China. (Testimony, p. 419.)

Mr. Jerome Jones, of Boston, an importer of earthenware, in behalf of the importers expressed the belief that the success of that commerce was dependent upon a reliable continuance of comparatively low rail rates to and from Boston, and that this reliance was secured by the competition of the northern roads which are a part of the Grand Trunk and Canadian roads, and which have brought about an equality of rates. Having secured this equality of rates, it seemed to be next to if not a vested right, and they believed the burden of proof was upon those who would make a change. (Testimony, p. 473.)

Ex-Governor William Claflin, of Boston, stated that the position of almost all New England merchants and manufacturers was that they did not wish matters changed so far as the Canadian railroads were concerned, and explained their position by saying:

It has been the experience of Massachusetts for more than thirty years that she was hampered by want of complete communication, and she spent enormous sums in order to make her road to the West easy and inexpensive. Massachusetts absolutely lost nearly $12,000,000 in the construction of the Hoosac Tunnel line in order that her merchandise might be carried from the Atlantic coast to the West at low rates. She has fostered railroads by large expenditures. She almost built a road out of Worcester to the West. I speak of this because it was brought to your attention that roads had been subsidized by the Canadian or British Government, or by both. Massachusetts subsidized roads in the way I speak of in order that her people, who were shut up here, as it were, in one part of the world, might have egress. We of New England have no mines of any value, and we have nothing but the industry of the people and the water-courses to attract people here.

One great means of equalizing the transportation for the last twenty or twenty-five years has been these Canadian roads. The routes through Canada have been very potential. In the first place, we went by northern lake routes and reached the West at moderate prices, and those prices controlled the great central lines. Say what they would, they could not overcome the fact. (Testimony, p. 475.)

Some interesting facts were contributed by Mr. Francis F. Emery, of Boston, who appeared as the representative of the Shoe and Leather Association of New England, as follows:

The operation of this northern line under its liberal management has been of inestimable benefit to the people of all sections of this country. It is an avenue through which a large quantity of the manufactures of the East are transported to the consumers of the West and the South, and a large quantity of raw materials is brought from the South and West to be manufactured at the East; it is also the carrier of a large food supply from the West to the consumers of the East. By its moderate and just rate of charges its influence has extended to other lines, so that, although carrying but a small part of this entire freight, it has been the great power in the interest of the people for the regulation of the rates of freight of all lines between the different sections of the country. Every man, woman, and child in the northern half of the United States, and probably also in the greater part of the southern half, has been directly benefited by the reasonable charges which have been obtained through this line.

The geographical position of the State of New York operates to cut in twain the great streams of business which flow between the Eastern and the Western and Southern sections of our country. Without the competition which has come from this northern line the railroads of that State have it in their power to monopolize and impose upon this large volume of business any tribute that their manager might dictate; in fact, it was the excessive tribute which was so extorted which first led to the establishment of this northern line from Boston to Chicago. It was to free the people of the country from this oppression that the business men of the great West and of the great East united in a request to the management of the northern roads to establish this through line. It is not really a foreign line in the ordinary acceptation of the word, since it was established for the benefit of the business of our own country by our own business men, who co-operated to sustain the line until it was firmly established. A large portion of it is located within our boundary. These business men established it at great labor and cost, and it has been to them one of their greatest boons. They now cherish it, regard it as a national right, and of vital consequence to the people of all sections of the country. They therefore protest strongly when any scheme is projected which threatens to take from them the reliefs which they have experienced from this important line of transportation.

To refer more in detail to this matter, the particular business interest which I represent is that of manufacturing and distributing boots and shoes throughout the country. The boot and shoe industry probably had more to do with the establishment of this northern line between Boston and Chicago than had any other industry.

At the time this line was established the New York Central Railroad system imposed a charge of $1.80 per 100 pounds upon boots and shoes from Boston to Chicago and St. Louis—a charge that was equal to from 5 to 6 per cent. of the value of the grade that was being transported. Remonstrance was unavailing. Every avenue of transportation westward from Boston was influenced or controlled by one line. The geographical situation of the State of New York enabled its railroad systems to accomplish this and to exact this high charge. It was then that the shoe merchants of the West and South, co-operating with those of the East, worked together to effect the establishment of this northern line. As a result of their pledge of support to this northern line it was established, and the freight of boots and shoes to the points named was reduced to a satisfactory rate, and ever since a fair and reasonable rate has prevailed.

The benefits which have come to the people from this action are almost beyond computation. For instance: The number of pairs of boots and shoes which are produced annually in New England and are distributed through the West and South is probably not far from 90,000,000 pairs. This number of pairs represents probably 36,000,000 individuals outside of New England who are directly affected. If a tax of 5 per cent. is imposed upon these shoes, as it was formerly, in lieu of 1¼ per cent. which lately prevails, it means every man, woman, and child of the 36,000,000 is to pay that much additional for each and every pair of boots or shoes consumed by them. The number of persons affected and the cost to each is a very serious matter. If added to this is the extra tax which is put upon the raw material which comes from the South and West, and which entered into the construction of the boots and shoes, the added cost is very materially further increased and becomes a serious matter.

The people of New England, amounting to several million persons, are also affected through their food supply, which comes to them mainly from the West and South. Every cent of all such unnecessary tax upon freight would be an unnecessary tax bearing directly and only upon all these millions of people, and would affect directly their comfort and welfare. (Testimony, pp. 484–485.)

For these reasons Mr. Emery contended that it would not be prudent to interfere with these northern lines until it could be shown that they were working injury to other lines or oppressing the people of the United States.

Mr. Jonathan A. Lane, president of the Boston Merchants' Association, composed of about two hundred mercantile firms, most of which are the large wholesale houses of the city, thought that Boston labored under a good deal of disadvantage in its efforts to secure trade throughout the country in competition with New York, and that the merchants of Boston could not afford to lose any advantage they possessed. This was the case with the advantages secured through the Central Vermont and its northern connections, and he believed it would be a tremendous loss to Boston if any of these advantages were seriously curtailed.

Mr. Lane stated that the Canadian Pacific was carrying cheap grades of merchandise that would not bear high rates—what he called the skimmed milk of the business—from the East to San Francisco, the haul being 700 miles further than by the American roads, at rates by which the San Francisco merchant was said to save from 2½ to 5 per cent. in sending the goods that way. He did not believe the transaction could be very profitable to the Canadian Pacific, and thought that road was serving the interests of the people of the West and New England in thus transporting ordinary and cheap merchandise that could not stand the high rate that first-class dry goods stand. It was therefore his opinion that if the people of the United States got a good job out of the Canadian roads there was no occasion to worry about whether they recouped upon their friends in Canada or what rates were paid by the people in Canada. (Testimony, pp. 487–488.)

Mr. S. Henry Skilton, of Charles H. North & Co., pork packers at Boston, considered the Canadian railroads of vital importance to Bos-

ton, and thought that without them Boston would be entirely at the mercy of the Vanderbilt system of roads, which favored New York as against Boston every time. His house was using the Canadian railroads, but did not get any less rate from them than they would over the Vanderbilt lines. He felt that the Canadian roads had a pretty hard fight as it was. and that any legislation against them would not only be detrimental to the Canadian roads and those that connect with them but also to the merchants of Boston and to every line of trade. (Testimony, pp. 493–494.)

Ex-Governor J. Gregory Smith, president of the Central Vermont Railroad, called attention to the fact that—

All the territory covered by our system, and reaching down into New Hampshire, Massachusetts, Connecticut, and Rhode Island, is all dependent for its main supply of breadstuffs and food upon the West. No State in New England raises enough to supply its population. Our line is the most direct and the cheapest for the supply of the great manufacturing districts in New England north of Boston, like Lowell, Lawrence, Concord, and all those places. We are in more direct communication by the cheapest and shortest line through our connections to the West for the supply of those points. They constitute, perhaps, a larger distributive district than even Boston itself.

Now, then, the question arises, Mr. Chairman, what is to be the effect of any disturbance of the relations existing at present for the direct and speedy transportation of all the material we bring in to supply this wide territory and this large population? The tonnage passing over our road amounts to very nearly 3,000,000 of tons annually, over one-half of which is what we denominate through tonnage—tonnage coming from the West to the East to supply the demand and to feed the population here. (Testimony, p. 440.)

He did not believe that the points raised with respect to the restriction of the commerce passing over the Canadian lines were sound. On the contrary, he thought they were specious and did not comport with the facts. It seemed to him that was the view—

one must take when he comes to understand fully the geographical situation and the physical condition of the roads under consideration, and particularly that of the Canadian Pacific, which is charged with being the most obnoxious, because of interference with American roads.

Governor Smith thought it had been clearly established that the Grand Trunk conducted its business upon sound business principles, and recognized the fact that it was to a large extent dependent for the prosperity of its road upon its relations to the American people and its traffic in the United States. Nor did he believe that—

the Canadian Pacific would attempt to recoup from the inhabitants of Canada what it is alleged they lose by low rates on through traffic, for the simple reason that, traversing as they do almost an entire wilderness from the time they leave Ottawa until they reach Port Moody, there are no opportunities to recoup. There is no such local business on the line of that road as would enable them to recoup if they had the disposition so to do. It is a very sparsely settled country, and miles and miles of railway have to be maintained and operated and the transportation of the through freight done with scarcely a watering place, with no population to help support it.

Hence to my mind, with what little knowledge I have of railroading, I think the fact that they are compelled to carry that freight and support their railroad forms of itself, without the intervention of Congress or anybody else, a sufficient protection to the American lines dotted all along as they are through this country with thickly populated sections and places, affording an immense traffic known as local traffic, and therefore the physical condition of the two systems is of itself a protection, or else the Canadian roads must involve themselves in losses on every ton of freight they carry. (Testimony, p. 441.)

It was therefore his opinion that any interruption of the relations existing between the Central Vermont Railroad and the Canadian railways would cause great injury to New England at large, which would be severely felt while no corresponding benefit could in any way result.

In behalf of the Board of Trade of Portland, Me., Mr. William L. Putnam submitted resolutions setting forth at considerable length the advantages afforded by the Canadian railways to Portland and the State of Maine, and concluding as follows:

Resolved, That this board protests against the enactment of any legislation which will deprive our citizens of the facilities for transportation of breadstuffs and other manufactures now offered by our great commercial highways through Canada and between the Atlantic sea-board and the West, and especially protests against any amendment of existing laws for the purpose of throwing obstacles in the way of such transportation and against the withdrawal of the privilege of carrying merchandise of the United States in bond through Canada as now practiced, and against any action which will tend to obstruct or destroy competition in the transportation of such merchandise and thereby build up monopolies to the detriment of cities and commercial interests now receiving the benefits of free and unobstructed transportation to and from the West over Canadian roads. (Testimony, p. 402.)

In narrating the history of the extension of the transportation facilities of Portland, Mr. Putnam stated that in the forties the people of that city tried to open a route to Montreal; that the Grand Trunk took it off their hands or they would have been crushed entirely, and that the Grand Trunk had faithfully performed its obligations. By the aid of the Grand Trunk, Portland and a number of other points in Maine had become billing points and received western products at the same rates at which they were received at Boston. This was an important matter for Portland and the whole State of Maine. It was estimated that the amount of western products, including grain and beef and other products, received annually in the State of Maine from the West and Northwest was equivalent to about 2,225,000 barrels of flour, and if the present bonding system was abrogated or the Canadian roads interfered with it was believed that the arbitrary rates that would be put upon these products would be equal to not less than 10 cents per barrel, and would cost the people of Maine $225,000 a year, besides breaking up the ports of Portland and Bangor. Mr. Putnam stated that the city of Portland, in its municipal capacity, invested about $2,020,000 some twenty years ago in the construction of a line through the White Mountains across the State of Vermont, to secure a connection with the lines then in contemplation through Canada, which have since become incorporated into the Canadian Pacific system, and that the people of Portland felt that they ought to be protected in those investments, which amounted to over $3,000,000, and which had been made by the city for the purpose of securing more complete western connections. Through the aid of the Canadian railways the people of Maine could reach the West with from 150 to 500 miles less carriage than is required to Boston, and practically Portland was as near to St. Paul as New York.

Similar views were expressed by Mr. S. W. Thaxter, a merchant of Portland, who thought there was no community in the United States, perhaps, that depended so largely for its supplies upon the West as the State of Maine. The people of the whole State were largely dependent for their supplies upon the Grand Trunk, which touched the Maine Central system at two points, Yarmouth Junction and Danville Junction. Practically the Grand Trunk was their only through line, their only connection with the West, and the geographical situation of Maine was such that it must be connected with the West through Canada. (Testimony, p. 415.)

The situation of Bangor, with respect to the Canadian railways, appears to be similar to that of Portland. Mr. Charles P. Stetson, who appeared in behalf of the Bangor Board of Trade and the Bangor and Piscataquis Railroad, informed the committee that Bangor many years ago em-

barked in the enterprise of building the Bangor and Piscataquis Railroad from Bangor to Moosehead Lake, to secure a connection with the railroad system of Canada, and invested in that enterprise between $1,000,000 and $1,500,000. The city of Bangor had not the ability to carry out this scheme and it lay dormant for a considerable length of time. They finished their road to the lake, and the Canadian Pacific had lately constructed a railroad from the western line of the State to the foot of Moosehead Lake. This gave Bangor a short route to the West, making the distance over that railroad and the "Soo" line from Minneapolis to Bangor about the same as from Minneapolis to Boston by the American routes and within 40 miles of the shortest distance to Portland by the Grand Trunk. Consequently the people of Bangor felt that it would benefit their railroad, their city, and the eastern part of the State of Maine to be allowed to maintain as favorable connections with the Canadian Pacific as possible. (Testimony, p. 424.)

But the advantages conferred by the Canadian lines have not been confined to New England, although that section is more largely dependent upon them than any other. Mr. A. C. Raymond, representing the Board of Trade of Detroit, was convinced that the importance of the Canadian lines to Detroit and the State of Michigan was very great, and that the prosperity of the State depended largely upon them. He also believed that they favorably affected the commercial interests of the country generally, and that the Grand Trunk exercised great influence in making reasonable the rate from Chicago to New York, upon which all the rates of the trunk lines and their connections are based. (Testimony, p. 496.)

Mr. Charles C. Bowen, of the Detroit firm of Terry & Co., seedsmen, after referring to the great differences in the distance from Port Huron and Detroit to Buffalo by the lines through Canada and by those in the United States, said:

> In view of these facts, I submit that the denial of these short routes to the commerce of Michigan would be an outrage to the citizens of this Commonwealth, and would impose upon us a burden destructive not only to our material interests, but, in my opinion, would foster and encourage disloyalty among our citizens. It seems to me our Government can not afford to antagonize a large portion of her citizens unless some adequate compensation is to follow. If the British Government has subsidized railroads in Canada, and thereby brought immeasurable advantages to us, it is our duty to foster this state of affairs.
>
> If it is desirable to have in mind the acquisition of Canada peacefully, we should cultivate close commercial relations. On the other hand, it may be urged that in so doing we strengthen the hands of a foreign people. True, we do; but if we add to our own strength by this process in a ratio of five to their one, which I think is our experience in the past, it is the only true course to pursue. (Testimony, p. 522.)

Mr. David Edwards, assistant general manager of the Flint and Pere Marquette Railroad, speaking of the relations of the Canadian railroads with the railroads and shippers of Michigan, believed that it would be most disastrous to the railways and the commercial interests of Michigan and especially of the northern portion of the State, if any action should be taken by Congress that would prevent the lines through Canada operated by the Michigan Central and the Grand Trunk from doing business in the United States on precisely the same basis as American roads. He claimed that traffic originating in the United States was not unnaturally diverted from the American lines by the Canadian lines. The traffic from Northern Michigan destined to the Eastern States found a more natural outlet by the Canadian lines than by any other. The purely American lines running south of Lake Erie secured a fair share of the traffic, and it would be a great hardship upon the shippers located on the lines of the railways in Northern Michigan should they

be compelled to forward all their products by purely American lines. Mr. Edwards was of the opinion that more than 50 per cent. of the northwestern business over his road, and between 50 and 60 per cent. of that originating on the road, was carried east over the Canadian lines. (Testimony, pp. 540–542.)

In behalf of the Chamber of Commerce of Sault Ste. Marie, Mich., Mr. Henry W. Seymour presented resolutions adopted by that organization most earnestly protesting against—

any legislation on the part of the United States that shall tend, in any manner, to discriminate in favor of any line of transportation, or to deprive any citizen of free, unrestricted transportation of western products over the great central line of transportation from the Northwest to the East or from the East to the Northwest, over any and all lines of transportation, be the same Canadian or American lines. (Testimony, p. 548.)

Mr. Seymour stated that Sault Ste. Marie was especially interested in the question under consideration by the committee because of the recent construction to that city of two lines of railway, one from Minneapolis and one from Duluth, which connect at the international bridge with a branch of the Canadian Pacific Railway that joins the main line at Sudbury Junction. He believed that any restrictions upon transportation between Canada and the United States would not only operate very strongly against his city locally, but against the entire Northwest.

At Chicago the committee appointed to represent the Board of Trade of that city submitted a formal report upon the questions involved in the present inquiry, which appears in full in the statement of Mr. George F. Stone, the secretary of the board. It is stated in this report that the Canadian lines of transportation operating in the United States affect the commercial interests of this country favorably—

First—By their effect in smashing iniquitous and scandalous pools and agreements at times existing between the Michigan Central, Michigan Southern, and Pennsylvania Railways, by which unjust and unreasonable rates were exacted on western products from Chicago to the sea-board previous to the entrance of the so-called Canadian lines into this city. For facts and figures on this point, see special report of Chicago Board of Trade of February, 1876, herewith appended.

Second—By the equalization of freights on all western products to numerous points in New England, where previously American railway lines charged and exacted severe and unjust arbitraries, averaging from 5 to 25 cents per cental over rates to Boston and other sea-board points, which, under the competition of Canadian lines, have been entirely discontinued.

Third—The Grand Trunk system of railway was the pioneer in the dressed-beef traffic, which it commenced and fostered years ago, while the New York Central and Pennsylvania systems antagonized the shipment of dressed beef and favored the shipment of live cattle, that their transportation and stock-yard revenues might be augmented, to the detriment of the cattle-producing and beef-consuming public. (Testimony, p. 606.)

In support of this answer the committee say, in a supplemental statistical report:

We wish to call the attention of your honorable committee to the rate charged by railroads running wholly through the United States, on grain and flour, from Chicago to Springfield and Boston, Mass., and Nashua, N. H., in the winter of 1867–'8, which was 85 cents per cental; the arbitraries charged from these junction points named to points in Maine, New Hampshire, and Vermont ranged from 10 to 25 cents per cental. The last-named rate applied from Nashua, N. H., to Newport, Vt., making the through rate from Chicago to Newport, Vt., $1.10 per cental.

The present tariff—Chicago to Newport, Vt.—on like commodities, via the Canadian railways, is 25 cents per cental, and while we do not claim that all this reduction has been caused by Canadian railways, we do claim that Canadian railways have eradicated all arbitraries and given practically to all the territory north of the Boston and Albany Railway in New England, rates equal with Boston to and from the West.

And in answer to the question as to what extent and by what means traffic originating in the United States has been diverted from American

to Canadian lines of transportation the committee of the board of trade further say:

Traffic originating in the United States and which would naturally be carried over American lines has not, in the opinion of this committee, been diverted to Canadian lines, only in so far as the latter have offered greater facilities for the safe and quick carriage of perishable and other property to eastern points and for export. The Canadian lines were among the first to build and operate transfer elevators here for the preservation of identity and the weighing of grain in hopper scales, as required by the law of this State (a copy of which is hereto annexed), and which law is now openly defied by some of the American lines centering here. The Canadian lines have won the larger share of this business from the West by such and kindred measures, and by uniformly just and equitable treatment of their patrons, and not by any favoritism to one shipper over another, as evinced by the popular regard that is had for these lines so universally by the merchants of this and other Western cities.

Mr. William J. Pope, a member of the Chicago Board of Trade committee, in his statement expressed the belief that the only complaints in regard to the Canadian lines seemed to come from attorneys of lines in direct competition with them, adding that he had yet to find the first merchant in Chicago who found any fault with them.

The foregoing summary of the testimony taken on the subject shows that there was a substantial unanimity of opinion on the part of those who appeared before the committee, as to the great advantages gained by important sections of the United States through the additional facilities for transportation furnished by the Canadian railways. The value of these advantages to those enjoying them was not questioned even by those who complained of the unfavorable effect of the competition of the Canadian railways upon railroads in the United States. It was suggested, however, by Mr. Aldace F. Walker, chairman of the Interstate Commerce Railway Association, that, while the Canadian lines of transportation operating in the United States affect the business interests of certain parts of this country favorably, especially New England and some other sections immediately contiguous to the border, they, as a buite natural corollary, affect business interests in other parts of the country to some extent unfavorably, and it seems appropriate to conclude this summary of the testimony relating to this branch of the committee's inquiry by quoting Mr. Walker's suggestions upon this subject, as follows:

Circumstances which add to the advantages of competing centers of trade in one locality naturally do so more or less at the expense of rival communities elsewhere. For example, there can be no doubt that the Grand Trunk Railway and the Canada Southern have been large factors in the development of Chicago; it is also quite probable that the influence of these transportation routes has diverted traffic to some extent from St. Louis and some other western cities to the Chicago gateway; and again, the usefulness of the Canadian roads above mentioned to the merchants and traders of Chicago may fairly be offset by the injury done to that city as a distributing point through the opening of the "Soo" line to Minneapolis and St. Paul, that route operating with the Canadian Pacific to the Atlantic sea-board, now making rates which very largely assist the merchants of the "twin cities" at the expense of their Chicago rivals; it is likewise undoubtedly true that the competition of the Grand Trunk has materially aided in bringing about the exceptionally low long-distance rates which have prevailed for the past few years upon commodities transported in both directions between the Western and Northwestern States and the Eastern sea-board; these rates have very largely promoted the development of many States and Territories in the West, but in order to afford this result the interests of the agricultural communities at intermediate localities, and to some extent in New England even, have correspondingly suffered.

These illustrations, which might be multiplied indefinitely, indicate some of the ways in which the Canadian lines affect commercial interests in the United States; and the extent of their influence is undoubtedly very considerable. Whether the result obtained has on the whole been more favorable than otherwise is not for me to say. In fact it hardly seems worth while to adjust the balance; the Canadian railroads are in existence; commercial conditions have become firmly settled in their use, and they are rapidly working their way in other directions. It is obvious that their relations to interstate commerce in the United States can by no possibility be entirely eradicated. (Testimony, p. 640.)

OPINION OF WITNESSES AS TO PLACING AMERICAN AND CANADIAN LINES ON AN EQUAL BASIS.

The general opinion of gentlemen examined by the committee in its investigation was to the effect that if the Canadian lines secured any undue advantage by being outside the jurisdiction of the interstate-commerce act, that they should be placed under the same regulations as the American roads. In support of this view, a few extracts from the testimony are inserted. While it appears from the volume of testimony that the damage done the American roads by the construction and operation of the Canadian roads has not yet assumed dangerous proportions, yet a good deal of testimony was given as to the power of the Canadian roads to interfere with the business of the American roads and thereby injuriously affect them. Mr. Roberts, the president of the Pennsylvania Railroad, was interrogated on this subject, as follows:

The CHAIRMAN. So far, then, you do not realize that the Canadian roads are doing any particular damage to the roads in this country?

To this question Mr. Roberts replied:

No, sir; I do not know that they are now doing any serious injury to the railway interests of this country or to the country, but I submit that it is entirely within their power to do so. They have a very great advantage over the railways in the United States in their independence of our legal restrictions.

Mr. King, president of the New York, Lake Erie and Western, in reply to a similar question, stated:

Of course we can not tell how they [the Canadian roads] act up there, not nearly as well as we can tell how we act ourselves; but we know this, that they have abundant opportunities for doing things contrary to law without being punished.

Mr. Depew's views on this question follow:

But what we complain of is that they should have the power, if they choose to exercise it, to do things that we can not do, to recoup where we are tied up, and to accomplish in Canada, free from the restrictions that bind us, things that give them an advantage which, if we do, is a penal offense. (Testimony, p. 69.)

Mr. John King, president of the New York, Lake Erie and Western, said:

We do not ask that we shall have any advantage over the Canadian road, but we ask that the Canadian road be put exactly on the same footing as we are. (Testimony, p. 48.)

Mr. Depew stated his opinion in the course of the following colloquy:

The CHAIRMAN. State again, Mr. Depew, exactly what you think ought to be an amendment to the present interstate-commerce act in order to protect American interests as against Canadian interests.

Mr. DEPEW. I have already said what I think is necessary, which is the enlargement of the powers of the commissioners, so that they can very properly say to any foreign road, whether Mexican or Canadian, "If you wish to do any business in the United States the condition is that you shall conform to our act." * * * (Testimony, page 70.)

It certainly seems a monstrous case that you have here in the United States almost eight thousand million dollars invested in railways which are subject to our laws, which pay their taxes, which help support the Government, and are therefore entitled to a measure of protection, which are, in return, regulated and supervised as semi-public bodies, and yet that the Government itself should take their taxes and then permit the roads of a foreign country, which contribute nothing to the support of our Government, owe it no allegiance, are not owned by our citizens, and in case of war would be used against us, to emasculate our own properties. (Testimony, p. 67.)

Mr. Felton, vice-president of the New York, Lake Erie and Western, who appeared before the committee in New York, entertained decided opinions as to the justice of applying similar laws and regulations to the Canadian and American roads.

The CHAIRMAN. Do you think there ought to be any legislation to protect American railroad interests as against Canadian railroad interests more than we have already?

Mr. FELTON. I think that the Canadian lines should be placed on exactly the footing as are the American lines. I take it, it is within the power of Congress to compel the Canadian railroads to conform to our laws if they want to do business in the United States, but I do not suppose it is within the power of Congress to regulate traffic in Canada. (Testimony, p. 125, 126.)

Mr. Adams, president of the Union Pacific Railway, was asked this question by Senator GORMAN:

Then, as a fair arrangement, I ask your opinion whether it would not be the act of wisdom before the United States permits this road to complete its line through Maine and then on to Halifax, that we insist on the Canadian Government agreeing to operate with us under the same conditions that we impose upon you?

To which Mr. Adams replied:

That would be a perfectly fair proposition for us to make. (Testimony, p. 155.)

Mr. Erastus Wiman, in the course of his address, said:

It seems to me that in common equity there should be reciprocity by Canada as between all nations, and that transportation should be put on the same footing. (Testimony, p. 195.)

Mr. Newell, president Lake Shore and Michigan Southern Railway, expressed himself as follows:

My point is whether it is not within the province of the Government of this country to say to the Canadians that if they come into this country to transact what may be termed interstate traffic, or international traffic, they must, before they commence to take hold of that traffic, put their whole traffic under the same regulations as the American roads are under that compete with them. I would ask them not only to accept the provisions of the interstate-commerce act with regard to traffic that is interstate or international, but I would also ask them to apply it to their local traffic as well, so that they would be under, in all respects, the same general rules as our roads are under. You have not a railroad running east and west to or from here that does not go through one or more States, except the New York Central. (Testimony, p. 263.)

Mr. Ledyard, president and general manager Michigan Southern Railway Company, said:

I would say simply, "If you [the Canadian roads] want to do the business, you shall do it on principles that are just to you, but not unjust to the American railways that have not the aid you have, and that are not able to recoup themselves by charging as high local rates as you can charge." (Testimony, p. 273.)

Mr. Ledyard previously stated:

I made a suggestion to Judge Cooley some two years since, with regard to the state of affairs then existing, and he asked me what I thought about the matter, and I told him I thought that all Canadian railways, before being allowed to do business in carrying traffic from the United States into Canada, or from the United States into Canada and then into the United States again, or from Canada into the United States, should file with the Commission their assent to the law. (Testimony, p. 270.)

Mr. Smith, president of the Chamber of Commerce of New York, said:

I know that the Canadian railroad officials claim that they observe the provisions of the interstate-commerce law. It is denied on the part of our American friends. I know personally that the Canadian lines are getting a very much larger percentage of business from the New England States and Chicago than they received in former years, and I think it is due to our exclusively American lines that they should have a fair investigation of that subject, and that the question, as far as they are concerned, should be put upon a fair basis. That is, we ask fair play for American lines; we do not ask anything more. (Testimony, p. 279.)

Mr. Ammidown, a member of the Chamber of Commerce of New York, said:

I do not believe there is much difference of opinion on that subject. It is a question of fair dealing. No man would claim—I do not believe a fair Canadian himself would—that the Canadian roads should be allowed to take advantage of specific legislation controlling American roads. I am quite sure the American people will not stand it. (Testimony, p. 297.)

Mr. Kernan, formerly a railroad commissioner for the State of New York, said:

The one direction in which we can move seems to be simply to insist that the Canadian lines in competition with American lines over American soil to and from American points shall observe American laws applicable to that transportation upon our own railroads. Now this demand of the American railroads is right. If you attempt to restrict an American railway by law it is the duty of the country to it as one of its citizens, and it is the duty of the country to the capital invested in it, that we insist that foreign competing lines running in and out of American points shall observe that same law. While this is true, it is a very different question to say that we must amend the interstate-commerce act to accomplish it. (Testimony, p. 297.)

He also stated:

I say simply this, that if you put American railroads engaged in transporting traffic from Chicago to New York under certain restrictions, such as the publication and filing of rates, the long and short haul clause, etc., that in justice to them you ought to put foreign lines carrying from Chicago to New York, or from Chicago to Portland, under the same law; that is all. (Testimony, p. 297.)

Mr. F. B. Thurber, of Thurber, Wyland & Co., wholesale grocers, in the opening of his address expressed his opinion as follows:

Upon the question which this committee is investigating as to the competition of Canadian railways with those of the United States and the workings of the interstate-commerce law, I would say that it seems to me, in justice to our American railroads, that competing Canadian roads should be placed under similar restrictions to those of our own roads, and if this can not be done then our own roads should be relieved from these restrictions to an extent which would enable them to compete with Canadian roads. (Testimony, p. 306).

Mr. Bliss, president of the Boston and Albany Railroad, in the course of his statement said:

I think that foreign lines ought to be subject to all the rules and regulations to which the United States roads are subject, both with respect to Canadian business and interstate business. (Testimony, p. 310.)

Mr. Bliss also stated:

I think it a very good plan to have the railroads regulated. I think it equally well as a principle that the shorter haul should pay no more than the longer haul, but I

can not conceive of any condition of affairs under which a foreign corporation should be allowed to come into the United States and make such rates as they see fit while the American roads are tied hand and foot. (Testimony, p. 315.)

Mr. Choate, president of the Old Colony Railroad, was asked by Mr. GORMAN:

But what we are after is to get the opinion of such gentlemen as yourself, who are familiar with the question from a business stand-point. That is the gist of our inquiry, and I should like very much to have your opinion on that point. (Testimony, p. 331.)

Mr. Choate responded:

I think if the Canadian roads are allowed to compete with the American roads they should be required to do so on equal terms. (Testimony, p. 331.)

Mr. Mellen, traffic manager of the Union Pacific Railway, said that he was not a practical legislator, but that it would seem to him but mere justice to make the Canadian Pacific come fully under the interstate commerce law in all its business, as the American roads are compelled to do. It seemed to him that Congress should require the Canadian Pacific to be placed under bonds, to produce its books and its officials before the Interstate Commerce Commission, as the American roads are now obliged to do, and to compel it, under heavy penalties, to observe the law.

It seems to me that that is the only sensible thing to do—either do that, or relieve the burdens that are now placed upon the American lines in competition with the Canadian Pacific. (Testimony, p. 354.)

The following examination by the Chairman of Mr. Goodwin, representing the Chamber of Commerce, of Boston, expresses that gentleman's sentiments:

The CHAIRMAN. Suppose that any arrangement could be made by which the same regulation of interstate commerce as exists in the United States now could prevail in Canada, so that the Canadian roads would be brought under exactly the same condition of regulation that the American roads are, would you have any objection to it?

Mr. GOODWIN. Not at all, sir. I think that our American roads should be protected, but I do not think that they should be protected by excluding the Canadian lines, to the great detriment of New England and the Northwest.

The CHAIRMAN. No one in this country thinks of putting up a wall between this country and Canada, I suppose, to keep out the Canadian roads. The only question that we are directed to consider especially is whether there is anything that can be done, or whether anything is necessary to be done, and if anything is necessary, what it is, that will protect the American roads and stop the Canadian roads getting an undue advantage of the American roads because of any regulation we may have in this country. So that you conclude if the Canadian lines could be placed under the same regulation, by any arrangement between the two Governments, you would have no objection to it?

Mr. GOODWIN. No, sir; I would not. I think it is fair that the American lines should be protected.

The CHAIRMAN. You think something of that kind ought to be done, in fairness to American capital?

Mr. GOODWIN. Yes, sir. (Testimony, p. 395.)

Mr. A. C. Raymond, who represented the Board of Trade of Detroit, appeared before the committee in Detroit. Appended is an excerpt from his testimony:

Senator HISCOCK. Now, your understanding, as I understood you to say to Senator CULLOM, is that you see no reason why the trunk lines in the United States and in Canada should not be put on the same basis before the law?

Mr. RAYMOND. Yes, sir; except so far as Congress can not control local traffic in Canada, any more than Congress can control local traffic in Michigan. (Testimony, p. 417.)

Mr. Mulliken, who is vice-president and general manager of the Chicago and West Michigan Railway Company, was examined by the com-

mittee in Detroit. Mr. Mulliken thought the same regulations should exist in respect to both Canadian and American roads, as the following extract shows:

The CHAIRMAN. You heard Senator Hiscock's question to Mr. Raymond as to whether he would have any objection to the same regulations prevailing with respect to the Canadian lines as prevail with respect to the American lines. Have you any objection to such a condition of things?

Mr. MULLIKEN. I think the same regulations should obtain in both cases.

The CHAIRMAN. And if they do not obtain now in both cases you would be willing to advocate a law that would have that effect?

Mr. MULLIKEN. Yes, sir. (Testimony, p. 520.)

Mr. Bowen, a member of the firm of Ferry & Co., seedsmen, of Detroit, had not the slightest objection to placing Canadian and American roads on an equality.

The CHAIRMAN. You do not want to put up an embargo against your traveling or shipping over the Canadian roads, but if there is anything to be done at all you simply want the Canadian roads placed exactly on an equality with our own roads?

Mr. BOWEN. That is it.

The CHAIRMAN. And to do that, if it should be found necessary, by whatever arrangement would be potential between the two Governments. Have you any objection to that?

Mr. BOWEN. No, sir; not the slightest. (Testimony, p. 522.)

Mr. Pond, an attorney at law, of Detroit, was asked—

The CHAIRMAN. Is it your opinion or not, Mr. Pond, that something different from what now exists ought to be done to protect American roads as against Canadian roads?

And he responded—

I think that either the interstate-commerce law should be repealed or that it should be so amended that the Canadian roads would be made subject to the same restrictions as the American roads. (Testimony, p. 532.)

Mr. Brownlee, a lumber manufacturer, of Detroit, was willing to have the American and Canadian systems of roads placed under the same regulations. An extract from his testimony follows:

The CHAIRMAN. And you are willing to have them [the Canadian roads] placed under the same regulations as the American roads, if it can be done?

Mr. BROWNLEE. Most assuredly, if it can be done. (Testimony, p. 540.)

Mr. Edwards, assistant general manager of the Flint and Pere Marquette Railroad, was examined as follows:

The CHAIRMAN. As a railroad man, would you have any objection to placing the Canadian railroads under the same regulation as the American roads are under?

Mr. EDWARDS. No, sir; not the slightest.

The CHAIRMAN. Do you think that ought to be done?

Mr. EDWARDS. Yes, sir.

The CHAIRMAN. Do you think that such action would injure anybody?

Mr. EDWARDS. No, sir; I do not.

The CHAIRMAN. Do you think it would injure the commerce of Detroit?

Mr. EDWARDS. I can not appreciate why it should. (Testimony, p. 543.)

Mr. Butler, a freight agent of the Wabash Western Railroad, said:

I am heartily in favor of such restrictions being put on the Canadian lines as will place them on a plane of absolute equality with their American competitors, if that regulation does not already exist. (Testimony, p. 558.)

Mr. Jeffery, at the time of his examination, general manager of the Illinois Central Railway Company, stated—

In reference to the first branch of the subject, Mr. Chairman and gentlemen, "What is the effect of Canadian competition on American railroads and American commerce," it is proper for me to state that the road I represent is mainly a north and south railroad, extending from Chicago to New Orleans, and therefore is not one that feels directly the effect of that competition. In common with other railroad managers

who no doubt have expressed their views fully and clearly before you heretofore, and perhaps better than I can do, I believe that the same restrictions ought to be thrown around foreign railroads engaged in similar traffic in the United States as are thrown around United States carriers. It is a self-evident proposition and also one borne out by the facts and the evidence that you have had before you heretofore, that the Canadian lines can and do affect materially the traffic of the West and Northwest—particularly of the Northwest.

The United States railroads are held under the interstate commerce law to certain lines of action. The restrictions that are thrown upon the United States railroads are such that these railroads, as a general thing, do not complain seriously of them, provided their competitors, who apparently have been free from such restrictions, are held up to the law and are required to abide by it. (Testimony, p. 599.)

Mr. Stone, who appeared before the committee as representing the Board of Trade of Chicago, stated his views as follows:

The CHAIRMAN. Some of the railroads in the United States complain that they are at a disadvantage by reason of being regulated by the interstate-commerce act and by State laws, while the Canadian roads in competition with them are not. Do you know any reason why, if it could be done, the same regulations should not be applied to the Canadian roads as now exist in reference to American roads?

Mr. STONE. I think the report of the committee recommends that the Canadian lines operating wholly in the United States should observe the provisions of the interstate-commerce act.

The CHAIRMAN. "Lines operating wholly in the United States"; but that practically makes an American road in the sense that it is within the jurisdiction of the United States. But take the Chicago and Grand Trunk, for instance. Its connection is with the Grand Trunk of Canada, and by the connections of the two you do a business with New England and other points east, as you say. Now, while the Chicago and Grand Trunk is under the jurisdiction of the United States the Grand Trunk of Canada is not, only inasmuch as they regard the interstate-commerce act in force over them touching the United States, or in connection with freight taken from here. Is there any objection, therefore, that you gentlemen know of, to placing the Canadian lines under the same regulations as the American roads, if it can be done, in view of the roads of this country being at a disadvantage on account of our restrictions? I am not saying whether or not our roads are at a disadvantage in competition with the Canadian roads, but if the situation is such that the Canadian roads get an advantage because of our regulations, is there any objection to placing the Canadian roads under the same rules and regulations as our own roads are subject to?

Mr. STONE. I do not know, Mr. Chairman, of any reason why they should not be subject to a uniform treatment with the laws and regulations which apply to the roads of the United States in the transportation of American products. (Testimony, p. 618.)

Mr. Pope, a representative of the Board of Trade of Chicago, thought the two systems of roads should be placed on an equality, so that the Canadian roads should not have an advantage.

The CHAIRMAN. If it should turn out that you are mistaken and that they are at a disadvantage, what would you favor? Would you favor placing the Canadian roads, if there is any power to do it, upon the same level, or would you want to change the laws of the United States?

Mr. POPE. The two systems of roads should be placed, in my judgment, on the same level. As far as I know, the Canadian lines competing for business here can not be reached. I think the Canadian Pacific owns and operates its line in Vermont or Maine. There is no difficulty about reaching the Grand Trunk any more than there is in reaching the Chicago and Grand Trunk. (Testimony, p. 633.)

Mr. Walker, chairman of the Interstate Commerce Railway Association, expresses himself on this point as follows:

In view of these features of the case, it apparently would not be unjust for our Government to require from Canadian lines which are employed in conducting commerce between the different States of the Union an engagement with the United States Government in some effectual form, and, if necessary, under the sanction of a treaty, providing that the entire traffic of the roads composing the several routes so used shall be conducted in accordance with all the provisions of the act to regulate commerce, adding suitable arrangements for the service of process and the enforcement and collection of penalties. In other words, all that is required would

seem to be some provision which should put the Canadian roads upon an exact parity with our own; that being accomplished our roads can safely be left to fight their own battles, and those communities which find the Canadian roads of use commercially can continue to enjoy the facilities which they afford. (Testimony, p. 642.)

Mr. Wicker, traffic manager of the Chicago and Northwestern Railway Company, appeared before the committee in Chicago, and, referring to the American and Canadian roads, said:

I think that they should be put on an equality and be subject to the same restrictions that American lines are subject to, and if it is not possible to do that my opinion is that that fact alone would create conditions which would be dissimilar, and that the American lines should be relieved from the operation of the provisions of the fourth section of the act in their competition with these foreign lines. (Testimony, p. 638.)

GENERAL OBSERVATIONS BY THE COMMITTEE.

The act to regulate commerce, approved February 4, 1887, was enacted for the purpose of protecting the commercial and industrial interests of the country. It also had in view the object of maintaining orderly and just relations between the railroads. In securing these objects new conditions have been introduced to which the commercial and transportation interests have become conformed or are rapidly adjusting themselves. Experience will undoubtedly suggest such amendments to the law as will the better conform it to the developed needs of the country.

But this act for the regulation of our own internal and foreign commerce, which has accomplished much good, is to some extent nullified by the fact that many of the chief lines of transportation in the United States meet the competition of Canadian lines which are not so regulated. In competing with American railroads not only does the Canadian Pacific Railway Company enjoy the advantages of enormous governmental subventions, franchises, and privileges by which its road was built, and the advantages derived from the heavily subsidized steamer line which forms its connection to China and Japan, but it is aided by express provisions of Canadian statute by being relieved from the liability to conform to the principle enunciated in the fourth section of the interstate-commerce act, commonly known as the long and short haul clause.

The import of these statements will become more clearly apparent from facts hereinafter presented, in regard to the interest of the Dominion government in transportation lines, the measures which have been adopted by the Canadian and British Governments for the purpose of securing such results, and the political objects which have prompted such measures.

THE INTEREST OF THE CANADIAN GOVERNMENT IN TRANSPORTATION LINES.

The government of the Dominion of Canada is, and from the time of its organization has been, a large owner of transportation lines. The actual management and operation of these lines constitutes a part of the governmental machinery of Canada. The principal lines of transportation owned and operated by the Dominion government are:

First. The system of Canadian canals, embracing the Welland Canal, which connects Lakes Erie and Ontario, the St. Lawrence River canals, the Rideau Canal, the Champlain River canals, and certain lateral

canals. The total cost of the Canadian canal system has been about $54,000,000, as shown on page 7 of the Annual Report of the Minister of Railways and Canals of the Dominion of Canada for the year ended June 30, 1889.

Second. The Inter-colonial Railway system, the main line of which extends from Point Levis, opposite Quebec, by a circuitous route through Canadian territory to Halifax. The total mileage of this system is between 1,200 and 1,300 miles, and its cost, as near as can be ascertained from Canadian reports, has been about $47,000,000.

But the most important railway enterprise of Canada is the Canadian Pacific Railway, which, in the Annual Report of the Minister of Railways and Canals, is classed as a "government railway." The construction of the Canadian Pacific Railway was begun by the Dominion government soon after its formation in 1867.

It was the original intention that, like the Intercolonial, it should be owned and operated by the government, but, after some progress in its construction had been made, the work was suspended for several years. Fnally, in the year 1878, upon the direct issue of building the Pacific Railway as a governmental undertaking under the ownership and control of a private corporation, the Canadian Pacific Railway Company began work anew May 2, 1881. The road was opened for passenger traffic in June, 1886, and for freight traffic in August, 1886.

When the Canadian Pacific Railway Company took charge of the work in 1881, the Dominion government turned over to it, as a gift, all that had been done in the way of construction, the cost of such works having been about $35,000,000.

The total value of the aids of various sorts—gifts, loans, guaranties of credit, etc., extended by the Dominion government to the Canadian Pacific Railway Company, are presented in tabular form herein. This table was exhibited by the committee to Mr. Van Horne, president of the Canadian Pacific Railway, when he appeared before the committee in New York, and was explained and commented on by him, as will appear in his testimony. It is also given in the statement made to the committee by Mr. Nimmo.

Revised estimate of subventions of various sorts extended by the Dominion government to the Canadian Pacific Railway Company, embracing securities which that company has been enabled to float (stocks and bonds) as the result of the Dominion guaranty and a grant of 25,000,000 acres of land.

Cash subsidies as follows: (*a*) Subsidy of 25,000,000 mentioned in section 3 of act of February 15, 1881; (*b*) 714 miles of railroad constructed by the Dominion government, costing $35,000,000, which was presented to the Canadian Pacific Company as a gift, with interest to June 30, 1887. (See Public Accounts of Canada for 1887)..	$61,760,785
Capital stock originally $100,000,000, but reduced to $65,000,000, with a dividend of 3 per cent. guarantied for ten years. (See Poor's Manual)	65,000,000
During the session of parliament of 1884, the Dominion government authorized a loan to the company of $29,880,916, to be paid as the work of construction continued, and for the purpose of expediting construction. Of this amount $9,880,912 is secured by lien on the entire road and land grant subject to the then outstanding land-grant bonds; also government bonds to the amount of $20,000,000, which was exchanged for a like amount of the company's loan of $35,000,000, which had been issued in the place of the $35,000,000 of original stock which had been retired. (See section 4, act 20, July, 1885)	29,880,912
Balance of $35,000,000 loan, after deducting $20,000,000 placed in the hands of the Government in order to secure the $20,000,000 bonds above mentioned	15,000,000

Land-grant bonds issued by the company as a lien upon the lands which it acquired by gift of the Dominion	$25,000,000
Bonds, interest guaranteed by the Dominion for fifty years at 3½ per cent., issued to the company for the purpose of remunerating it for the loss of its relinquishment of the monopoly of railroad building in Manitoba	15,000,000
Subsidy of $186,000 a year for twenty years to lin through the State of Maine	3,720,000
Total	215,361,697

The balance-sheet of the company for December, 1888, shows that the total cost of the road, and its equipment, etc., was $167,093,895. The total stock, bonded debt, etc., of the company at same time amounted to $131,350,019. From this it seems that the aids received from the government at their par value were largely in excess of the cost of the road and of its liabilities.

But even this fails to express the total value of the aids which the Dominion government extended to the Canadian Pacific Railway, as will appear from a table on page 660 of the testimony.

The Dominion government has, however, gone still further in its efforts to secure the success of the Canadian Pacific Railway Company. It has had recourse to a special statutory provision not only enabling but prompting Canadian railroads to violate the rule of law enunciated in the fourth section of the interstate-commerce act of the United States, which enables such railroads to take advantage of a restraint imposed upon American railroads by our own laws. This statutory provision of the Dominion of Canada is embodied in the following extract from the third annual report of the Interstate Commerce Commission:

> They are practically under no restrictions imposed by their own statutes in respect to long and short haul traffic, but are at liberty to charge high rates on local business to indemnify for losses on through or international business. Their managers deny, with more or less emphasis, that their local traffic is subjected to higher rates, but when the liberty to make such charges and the necessity for it can exist, the inducement, at least, is strong. The provisions of the Canadian statute on this subject are as follows:
>
> "SEC. 226. The company, in fixing or regulating the tolls to be demanded and taken for the transportation of goods, shall, *except in respect to through traffic to or from the United States*, adopt and conform to any uniform classification of freight which the governor in council on the report of the minister from time to time prescribes.
>
> "SEC. 232. No company in fixing any toll or rate shall, under like conditions and circumstances, make any unjust or partial discrimination between different localities, but no discrimination between localities, *which by reason of competition by water or railway, it is necessary to make to secure traffic*, shall be deemed to be unjust or partial."

These enactments give all traffic carried in competition with our carriers unlimited freedom.

The Canadian people, and especially the political party so long in power in Canada, have not attempted to disguise the fact that it was their deliberate and undaunted purpose to secure a railroad across the continent of commanding influence, which, in connection with the subsidized steamer lines, would be able to dominate the transcontinental commerce of the United States, and to deflect from American vessels, American sea-ports, and American railroads a large share of our own commerce with the countries of Asia and with Australia and New Zealand. This has, to a considerable extent, been done already, and the work is still going on.

THE POLITICAL OBJECTS WHICH PROMPTED THE DOMINION GOVERNMENT TO ENTER UPON THE CONSTRUCTION OF THE CANADIAN PACIFIC RAILWAY AND TO HAVE RECOURSE TO SUCH STRENUOUS MEASURES FOR SECURING THE SUCCESS OF THAT SCHEME.

The Dominion of Canada consists of four blocks of inhabited territory, separated by vast desert spaces. These detached portions of the Dominion prior to confederation had little commercial intercourse with each other, and they were socially and politically separate. The only bond between them was their common affection for the mother country. Each province was virtually a political autonomy, for Great Britain had long ceased to exercise any control whatever over their governmental affairs. There were, however, large and constantly growing commercial relationships springing up between the provinces and the adjacent States of this country—Maine, New Hampshire, Vermont, and New York. During the civil war in this country the political party so long in power in Canada resolved upon a line of policy which should secure closer commercial relations between the several provinces and check the growing commercial intercourse with the United States. This was accomplished by the British North American act of 1867, which established the confederation known as the Dominion of Canada.

The organic act of the Canadian confederacy in terms provided for the construction of the Intercolonial Railway as a government railroad, and the construction of the Canadian Pacific Railway became a fundamental tenet of the political party which secured confederation, and which is now in power under the leadership of that astute and able statesman Sir John A. Macdonald. The political character of the whole scheme was for years proclaimed in Canada and in England, and is still openly declared by all its adherents. In the year 1861 the Duke of Newcastle, then a member of the British Cabinet, declared that the Intercolonial Railway "satisfied military and other conditions in the interest of the Empire," and on the 3d of January, 1863, while the war of the rebellion was raging in this country, he declared in the House of Lords that an inter-oceanic railway through British North America would subserve important ends "in the event of war on the other side of the Atlantic."

In 1862 Sir E. Bulwer Lytton advocated the construction of the two political railroads of Canada "for imperial interests, commercial and military."

About three years ago Sir John A. Macdonald, in referring to the Canadian Pacific Railway as a part of an enormous British political scheme, said, "With England as a central power, with Canada, Australia and South Africa as auxiliaries, we (the confederated British Empire) must control the seas, and the control of the seas means the control of the world."

The strength of this political purpose, and the deep hold which it has taken upon the Canadian people from Nova Scotia to Vancouver, is evidenced by the subsidies, franchises, and privileges which their government has conferred upon the Canadian Pacific Railway, to which that enterprise owes its existence and its potentiality as a disturbing power in the conduct of the internal and foreign commerce of the United States. This purpose is also evidenced by the fact that the public debt of Canada was increased from $93,000,000 in 1867 to $235,107,948 in 1889, that large increase being in the main the result of construction of railroads by the government. The debt thus incurred is proportionally

as great as that incurred by the United States Government for the preservation of our National Union.

THE MEANS ADOPTED AND THE DEGREE OF SUCCESS ATTAINED BY THE CANADIAN PACIFIC RAILWAY IN COMPETING WITH AMERICAN RAILROADS.

Upon the opening of the Canadian Pacific Railway for freight traffic it formed a connection with the Pacific Coast Steam-ship Company, an American line, whereby it was enabled to compete for traffic between San Francisco and other Pacific coast ports of the United States and points in the United States east of the Missouri River, connections having been formed at the east with railroads in this country. Soon afterwards a line of British steamers was established between Vancouver, British Columbia, and China and Japan. This line is receiving a large subsidy from the British and Canadian Governments. Thus, the Canadian Pacific route was at once equipped for active competition with American steamers engaged in our commerce with China and Japan, and also for active competition with the transcontinental railroads of the United States.

By virtue of the subsidies which the Canadian Pacific had received from the Dominion government it was enabled to underbid the American roads in rates. A "war of rates" was at once inaugurated by the Canadian Pacific, and was continued until a compromise was reached, on the basis of differentials in favor of that road.

The committee refer to the statement of Mr. Nimmo, in his testimony, page 673, in which he furnishes tables showing the rates which prevailed in February, 1890, on through traffic from San Francisco to Chicago, both on the American routes and the Canadian Pacific route, the Canadian route being formed by the steamer route from San Francisco to Vancouver, and thence by the Canadian Pacific Railway and its eastern connections; also rates from St. Paul, Minn., to Portland, Oregon, via the Northern Pacific and the Canadian Pacific Railroads.

The Interstate Commerce Commission, in their third annual report, say:

> It is estimated that fully one-third of the through business of the Canadian Pacific to and from the Pacific coast consists of traffic furnished from the United States.

The traffic secured by the Canadian Pacific between Asia and points in the United States east of the Missouri River is not included in the above statement of the percentage secured by that line. This traffic is of very considerable magnitude.

THE OCEAN STEAMER LINE CONNECTIONS OF THE CANADIAN PACIFIC RAILWAY.

The ocean steamer line portions of the Canadian Pacific scheme have been inaugurated by the establishment of a heavily-subsidized line of steamers connecting Vancouver, the western terminus of the Canadian Pacific Railway, with China and Japan, provision having been made in the same act for the establishment of a steamer line from Vancouver to Australia and New Zealand, and also a line from Halifax to Liverpool; all of these lines being so heavily subsidized as to enable them at the very beginning to deflect commerce from American ships, American shippers, and American internal transportation lines. The act of the

Dominion parliament, at its session for the year 1889, upon the subject of ocean-steamer line subsidies, is as follows:

[AN ACT relating to ocean steam-ship subsidies.]

Her Majesty, by and with the advice and consent of the senate and house of commons of Canada, enacts as follows:

1. The governor in council may grant to any individual or company a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, to assist in establishing an effective fortnightly steam-ship service between British Columbia and the Australian colonies and New Zealand, or such proportion thereof as is decided on by the governor in council to asist in establishing a monthly service with the said countries, such subsidy to be granted for such term of years, not exceeding ten, and on such conditions as the governor in council considers expedient.

2. The governor in council may grant to any individual or company, to whom there is granted by the Government of the United Kingdom the aid hereinafter mentioned, a subsidy not exceeding the sum of fifteen thousand pounds sterling per annum, for a monthly steam-ship service, or a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, for a fortnightly steam-ship service between British Columbia and China and Japan, such subsidy to be granted for such term of years and on such conditions as the governor in council considers expedient: *Provided always*, That during such term the Government of the United Kingdom grants to such individual or company a subidy of not less than forty-five thousand pounds sterling per annum for the monthly service, or of not less than seventy-five thousand pounds sterling per annum for the fortnightly service above mentioned.

3. The governor in council may enter into a contract for a term not exceeding ten years with any individual or company for the performance of a fast weekly steam-ship service between Canada and the United Kingdom, making connection with a French port, on such terms and conditions as to the carriage of mails and otherwise as the governor in council deems expedient, for a subsidy not exceeding the sum of five hundred thousand dollars a year.

From this act it appears that the following British lines of steamers are authorized:

First. A line from Vancouver to Australia and New Zealand, with a subsidy of $125,000 a year.

Second. A line from Vancouver to China and Japan, with a subsidy of $300,000.

Third. A line of steamers from St. John, New Brunswick, to Liverpool, with a subsidy of $500,000 a year, the latter to be supplemented by a British subsidy, supposed to be $300,000 a year, making a total of $800,000 a year.

The steamers of the Pacific and Atlantic lines are to be so constructed as to be available as armed cruisers in the military navy of Great Britain.

The committee calls attention to the division of our commerce with China and Japan, which is shown by statements from the official reports of the United States inspector of customs at Vancouver, and which are found in detail in the statement of Mr. Nimmo, on pages 674 and 675 of the testimony.

TRANSIT TRADE OF THE UNITED STATES AND CANADA.

In order to understand the merits of the questions, in regard to which the opinions of various parties have been expressed in their testimony before the committee presented in this report, involves an explanation of those reciprocal relations of transportation facilities between the two Governments known as the United States and Canadian transit trade.

The transit trade had its origin about the year 1847 in the fact that the ports of Montreal and Quebec are closed for about six months of the year by ice, during which period access to foreign countries beyond the sea can be gained only across the territory of the United States

and through American sea-ports. The opening of the Welland and St. Lawrence Canals in the year 1848 also provided a means of transportation for our Western and Northwestern States with ocean commerce at Montreal. These movements of commerce are of great benefit to both countries, and constitute what is known as *The Foreign Transit Trade of the United States and Canada.* In both cases the merchandise of each country is permitted to pass through the territory of the other without payment of duty.

But the transit trade, consisting in the transportation of goods from one point in the United States to another point in the United States through Canada, and from one point in Canada to another point in Canada through the United States, in both cases without payment of duty, is more important. This may be called *The Domestic Transit Trade of the Two Countries.* Both these movements of traffic, like The Foreign Transit Trade, are of great mutual benefit to the two countries.

The trade or commerce just described has its origin and sanction in physicial characteristics of the two countries on the eastern side of the continent. One of these characteristics is the fact already mentioned, that the St. Lawrence River is closed by ice and fogs for about six months of the year, and the other is the fact of an interlacing boundary line, making it desirable to run direct lines of transportation across the two countries and connecting by short routes the different parts of either by railroads crossing the interjections of the other. Almost the entire inhabited portions of Quebec and Ontario lie south of a straight line drawn between the northern boundary of Minnesota and the northern boundary of Maine. Besides this, the States of New Hampshire and Vermont and the northern portion of the State of New York constitute a territorial interjection between the provinces of Quebec and Ontario on the west, and New Brunswick and Nova Scotia on the east.

The provinces of Quebec and Ontario lie in the paths of several direct lines of railroad which have already been constructed between the States of Michigan, Wisconsin, and Minnesota at the west and the New England States at the east. By this means the distance by rail from Boston and Portland to St. Paul and Minneapolis is about the same as the distance from those business centers of Minnesota to New York, Philadelphia, and Baltimore. The traffic over these lines has been of inestimable value to the New England States and of vast importance to the Northwestern States, and especially to Chicago, the principal center of the internal commerce of the country. At the same time this traffic has constituted the life of the principal railroads of Canada, and directly and indirectly has been of immense benefit to the commercial and industrial interests of that country.

The transit trade, both as to the shipment of goods through the territory of either country to and from foreign countries, and as to the shipment of goods from one point in one country to another point in the same country through the territory of the other, had their origin in acts of administrative discretion on the part of the Secretary of the Treasury in order to meet the demands of reciprocal commercial necessities, and, as before shown, was justified by the mutual commercial needs of the two countries. On July 28, 1866, the following act of Congress was passed (Revised Statutes, sections 3005 and 3006; Chapter CCXCVIII; approved July 28, 1866):

AN ACT to protect the revenue and for other purposes.

SEC. 3005. *And be it further enacted,* That from and after the passage of this act, all goods, wares, or merchandise arriving at the ports of New York, Boston, and Portland, or any other port of the United States which may be specially designated by

the Secretary of the Treasury, and destined for places in the adjacent British Provinces, or arriving at the port of Point Isabel, Texas, or any other port of the United States which may be specially designated by the Secretary of the Treasury, and destined for places in the Republic of Mexico, may be entered at the custom-house and conveyed, in transit, through the territory of the United States, without the payment of duties, under such rules, regulations, and conditions for the protection of the revenue as the Secretary of the Treasury may prescribe.

SEC. 3006. *And be it further enacted*, That imported goods, wares, or merchandise in bond, or duty paid, and products or manufactures of the United States, may, with the consent of the proper authorities of the provinces or republic aforesaid, be transported from one port or place in the United States to another port or place therein, over the territory of said provinces or republic, by such routes and under such rules, regulations and conditions as the Secretary of the Treasury may prescribe; and the goods, wares, or merchandise so transported shall, upon arrival in the United States from the provinces or republic aforesaid, be treated in regard to the liability to or exemption from duty or tax as if the transportation had taken place entirely within the limits of the United States.

Section 3005 legalized the foreign transit trade and section 3006 the domestic transit trade.

On May 8, 1871, the treaty of Washington was concluded, article XXIX of which, being applicable to the transit trade, is also given.

[Article XXIX of the Treaty of Washington, concluded May 8, 1871.]

ARTICLE XXIX.

It is agreed that for the term of years mentioned in Article XXXIII of this treaty goods, wares, or merchandise arriving at the ports of New York, Boston, and Portland, and any other ports in the United States which have been, or may, from time to time, be specially designated by the President of the United States, and destined for Her Britannic Majesty's possessions in North America, may be entered at the proper custom-house and conveyed in transit, without the payment of duties, through the territory of the United States, under such rules, regulations, and conditions for the protection of the revenue as the Government of the United States may from time to time prescribe; and under like rules, regulations, and conditions goods, wares, or merchandise may be conveyed in transit, without the payment of duties, from such possessions through the territory of the United States, for export from the said ports of the United States.

It is further agreed that, for the like period, goods, wares, or merchandise arriving at any of the ports of Her Britannic Majesty's possessions in North America, and destined for the United States, may be entered at the proper custom-house and conveyed in transit without the payment of duties through the said possessions under such rules, regulations, and conditions for the protection of the revenue as the governments of the said possessions may from time to time prescribe; and under like rules, regulations, and conditions goods, wares, or merchandise may be conveyed in transit without payment of duties from the United States through the said possessions to other places in the United States, or for export from ports in the said possessions.

The treaty of Washington was made many years before the Canadian Pacific Railway was built, and only two years after the first transcontinental line, formed by the Union Pacific Railway and the Central Pacific Railroad, was completed.

On the western side of the continent there is an entire absence of those natural and commercial conditions which not only justify the United States and Canadian transit trade on the eastern side of the continent, but which render it of the highest mutual benefit to both countries. It is certain that the act of July 28, 1866, would never have become a law, and that the provision of the treaty of Washington just quoted would never have been agreed to or ratified by Congress, if it had been supposed it would result in encroachments upon American commerce, and the efforts to propagate British imperial confederation, such as are now exhibited in the efforts of the Canadian Pacific Railway Company and its connecting steamer line on the western side of this continent. The difference in the circumstances and conditions

which characterize the transit trade on the eastern and western side of the continent are stated as follows, on pages 668 and 669 of the testimony:

First. The eastern domestic transit trade is across interjecting Canadian territory, in part over an American line, the Canada Southern Railway. There is no such interjecting territory on the western side of the continent, and the exclusive privileges of railway construction granted to the Canadian Pacific do not tolerate such an American competitor in British Columbia.

Second. The transit across this interjecting territory at the east, while enabling some of the principal railroads of Canada to participate in our domestic traffic, affords the reciprocal advantage to American shippers of short and direct lines between our Northwestern States and our New England States; but no such advantage of a shorter line is afforded by the Canadian Pacific on the western side of the continent.

Third. The most populous and most wealthy portion of the Dominion of Canada is for six months of the year dependent upon transit across the territory of the United States for free commercial intercourse with foreign countries, from the fact that the St. Lawrence River is closed by ice from November until May. But no such disability affects British Columbia. In common with all the Pacific coast ports as far north as Sitka, Alaska, the ports of British Columbia are open all the year.

Fourth. The eastern transit trade lines tend to bring trade to American sea-ports, while the Canadian Pacific Railway with its British steamer line adjuncts, operates very strongly to turn American commerce from American sea-ports, a fact which has created great alarm on our Pacific coast and has led the convention of commercial and industrial organizations of that section to utter an earnest appeal to Congress for protection against the aggressions of the Canadian and British Governments.

Fifth. The St. Lawrence River and Canadian canals afford the competitive advantages of an alternative route to the people of our Western and Northwestern States for six months of the year; but no such natural advantages of water transportation through Canada exist on the western side of the continent. We have no need to cross Canadian territory there, even for the purpose of gaining the advantages of an alternative route.

Sixth. The railroads of Canada which were allowed to engage in the transit trade under the privileges of the act of July 28, 1866, and of article 29 of the treaty of Washington, were all constructed as commercial enterprises, on commercial principles, and to subserve merely commercial purposes, but the Canadian Pacific Railway, as I have before shown, was constructed by the Dominion Government *for political purposes distasteful to and in a measure inimical to the United States.*

Seventh. The Canadian Pacific Railway has as adjuncts a steamer line to Asia so heavily subsidized by the Canadian government as to threaten the ruin of American steamer lines between San Francisco and ports in Asia, and to divert our Asiatic commerce from American sea-ports to the Canadian port of Vancouver. The Canadian and British Governments, with the idea of the imperial confederation of the British Empire prominently in view, are now planning for the establishment of a heavily subsidized British steamer line to Australia and New Zealand. This will ruin our American line to these islands unless we adopt measures which will protect it against the efforts of the Dominion Government to destroy it.

Those governments are also planning for a heavily subsidized transatlantic steamer line from St. John's or Halifax to Liverpool. This line would tend to divert commerce from New York, Boston, and Portland, Me. But no schemes for diverting commerce from American ships, from American sea-ports, and from American transportation lines characterized the railroads which were authorized to engage in the transit trade by the act of July 28, 1866, or by the treaty of Washington of 1871. As I have before remarked, that treaty would never have been signed by any sane commissioner if it had been characterized by any such feature of hostility to American interests.

Eighth. The Canadian Pacific Railway is closely identified with military objects, which were at the beginning urged with effect both in Canada and Great Britain in favor of the construction of that road. This feature of the enterprise is accentuated by the formidable fortress and naval station at Esquimault on the island of Vancouver, and it is also indicated by the fact already noted that the first train which passed over the Canadian Pacific upon its completion was loaded with material of war. No objectionable feature of this nature characterized the transit trade authorized by the act of July 28, 1866, and by the treaty of Washington, and it is certain that the privileges of the transit trade should never be granted to any railroad which is characterized by any such objectionable features.

From all this it appears that on the western side of the continent there is an entire absence of those conditions upon which the transit trade was originally based, and under which it exists to-

day on the eastern side of the continent, as a thing of mutual advantage to the two countries. The Canadian Pacific Railway, with its steamer line connection, has introduced conditions inimical to the interests of the United States, and in a political sense, offensive to this country.

The formidable fortress or naval station at Esquimault is one of the strongest on the continent. A British authority in military affairs declares that it "holds a pistol to the head of San Francisco."

As our navigation laws forbid foreign vessels engaging in any part of our internal carrying trade, an arrangement was made by the Canadian Pacific Railway Company with an American line forming connection between Port Moody and the sea-ports of the present State of Washington, the State of Oregon, and the entire State of California as far south as San Diego, near the extreme southern border of California. In order that the Canadian Pacific Railway might participate in the carrying trade between the Pacific coast ports and points east of the Rocky Mountains a bond was executed by this American steamer line for the transportation of American goods through Canada without payment of duty.

Two points in this transaction appear to be worthy of special consideration:

First. The privileges accorded to the Canadian Pacific Railway under the bond given by the Pacific Coast Steam-ship Company as a common carrier under sections 3000, 3001, and 3006, Revised Statutes. This steam-ship company's route is from San Francisco, Cal., to Port Moody, British Columbia, where connection is made with the Canadian Pacific. The steam-ship company is bonded for the transportation of merchandise from and to any of the ports in the United States, and under cover of this bond the Canadian Pacific is engaged in the transportation not only of foreign dutiable goods, but of domestic merchandise from the Pacific coast to Eastern points and *vice versa*.

An application was made by the Canadian Pacific to bond in its own name for the transportation of dutiable and non-dutiable goods, but the request was not granted by the Treasury Department, for the reason that it was questionable whether or not under our laws a foreign corporation could properly execute such a bond. The authority under the treaty of Washington for transit from one place in the United States to another by routes part of which is by land carriage through the Dominion of Canada and part by Canadian vessels on the Great Lakes and rivers connecting the same, or the River St. Lawrence, was abrogated in 1885. Subsequently, however, it was ruled by the Treasury Department that the privileges of such joint rail and water transportation could be permitted in cases where the vessels were of American ownership.

Second. An officer is stationed at Vancouver in the capacity of an inspector of customs, belonging to the customs collection district of Puget Sound, who was originally assigned to Vancouver to supervise the transfer of bonded goods at that point to and from points in the United States. Subsequently he was made a consular agent by the Department of State, and in that capacity he certifies manifests and seals cars containing Asiatic merchandise arriving at that point and destined for the United States. He does not certify the invoices upon which entry is made on the arrival of the merchandise at the port of destination. Section 3102, Revised Statutes, under which cars are admitted at frontier ports and allowed to pass to destination under consular seals, evidently has reference to importations from Canada. That

section is included in the chapter relating to commerce with contiguous countries, and it would seem, therefore, that it was not intended that merchandise from Europe or Asia should be imported in that way and duties assessed upon the European or Asiatic valuations. It would seem that all goods coming that way should be treated as imports from Canada and duties assessed upon their value in Canada. If they are to be treated as importations from beyond the sea, then they are not entitled to come in under consular seal.

The present arrangement appears to be an unwarranted concession to the Canadian Pacific Railroad, as it enables that road to bring in Asiatic merchandise destined for Boston, New York, and other principal ports without detention at the frontier for examination, appraisement, or collection of duties, thus virtually giving such merchandise the privileges of immediate transportation without appraisement and without invoking the law which governs such transportation within the United States. American transportation companies carrying unappraised goods are required to comply with the law on that subject as to bond, consular invoice, and entry at the port of first arrival in the United States, but the Canadian Pacific, under the machinery of the consular seal, reaches the same end without bond, entry, or other formalities, and is thus enabled to take away from American roads a large share of the transcontinental traffic.

In the opinion of the committee this arrangement, devised by our own Executive Departments, is without adequate authority of law and prejudicial to American interests. The sum and substance of the arrangement seems to be that the Government has in some way been hoodwinked into the project of facilitating the work of diverting the Asiatic commerce of the United States from the port of San Francisco and other Pacific sea-ports of the United States to the great political and military railroad constructed by Canadian subvention, and to the British and Pacific Ocean Steamer Line, which owes its existence almost exclusively to the subsidies which it receives from the Canadian and British Governments.

ACTION TAKEN BY THE COMMERCIAL AND INDUSTRIAL BODIES OF THE PACIFIC COAST IN REGARD TO CANADIAN PACIFIC COMPETITION.

The people of the Pacific coast States appear to realize the fact that the competition of that line and its ocean steamer connections is fraught with danger to their present interests and future development. In August last a conference of the commercial and industrial bodies of the Pacific coast was held at San Francisco. Two general topics commanded the attention of the convention.

(1) The competition of the Canadian Pacific Railway in connection with the Pacific Coast Steam-ship Line and railroad connections at the East for a share of the transcontinental traffic of the United States.

(2) The competition of the Canadian Pacific Railway with its highly subsidized line of British steamers for the commerce of the United States with China and Japan, in connection with arrangements being made for the establishment of other subsidized steamer lines threatening the entire commerce of the United States on the Pacific Ocean.

It was found that considerable diversity of opinion prevailed among the members of the convention in regard to the first of these general topics. By virtue of the fact that the Canadian Pacific Railway was built by subsidies and largesses of various sorts which it received from

the Dominion government, it could afford to offer lower rates than those which prevailed on the American transportation lines, or which could be offered by those lines under a general scheme of rates embracing through and local rates, conformed to the requirements of the fourth section of the interstate-commerce act. Although the convention appeared to be fully aware of the fact that the commercial and industrial interests of the Pacific coast and of the American transcontinental lines are closely identified, and that the prosperity of the one implies the prosperity of the other, still, particular individual interests, especially among the merchants of the Pacific sea-ports, led them to avail themselves of the lower rates offered by the Canadian Pacific route. Others saw very clearly that such a diversion of traffic, although tempting to individuals, was detrimental to the general interests of our Pacific coast, and that its tendency was to favor the concentration of trade at the western terminus of the Canadian Pacific Railway.

In regard to the second general topic discussed by the San Francisco convention, namely, *The competition of the Canadian Pacific Railway and its connecting steamer lines on the Pacific Ocean for the commerce of the United States with China and Japan and other countries bordering on the Pacific coast*, there was a substantial consensus of opinion. The entire convention regarded such encroachment, which had its beginning and ending in British and Canadian aid allied to military expedients, as in the highest degree detrimental to the commercial and industrial interests of this country.

The public declarations made throughout Canada by the leader of the party now in power, their boasts at the present time, and their encroachments which now disturb the internal commerce of this country and threaten the domination of our entire maritime commerce on the Pacific Ocean, demand the earnest attention of Congress and of the country, especially in view of the facts that the preparations for such commercial conquest embrace military preparations on the Island of Vancouver, and a line of steamers so built as to be readily available to the British Government at all times as armed cruisers.

In their report the commercial conference declare that—

> With such special advantages the Canadian Pacific can afford to quote rates which must drive the American (steamer) lines out of the China trade and inflict an almost irreparable injury upon San Francisco.

The report of the commercial conference also predicts the destruction of the American steamer lines now running on the Pacific Ocean to Australia, New Zealand, the Hawaiian Islands, the Fiji and Samoan Islands, and to Mexico and Central America, by subsidized British steamer lines, forming part of a general scheme for capturing the commerce of the seas, unless the United States Government shall adopt vigorous measures for preventing such a national disaster.

The facts upon which this prediction is based and which seem to point unmistakably to the anticipated result are:

The United States Government pays about $14,000 for the transportation of its mails to and from China and Japan, by a service making thirty-three round trips a year; whereas the Canadian and British Governments have offered and will soon pay to a new line of steamers from Vancouver $500,000 a year for the transportation of mails, not more than one-twentieth the magnitude of those of the United States, and by a service making only twenty-four round trips a year, besides which the British line is to receive an admiralty subsidy, the amount of which is not publicly stated. In a word, the British and

Canadian Governments are to pay nearly forty times as much as the United States Government for a postal service about one-twentieth as large as that of this country, in order to capture the commerce of the United States with the countries of Asia, and with the ultimate object in view of securing commercial supremacy on the western coast of North America. It seems to go without saying that this conspiracy against the commercial interests of the United States ought at once and forever to be broken up by some vigorous act of legislation, and that the commercial supremacy of this country on the Pacific coast of North America ought to be assured for all time.

The report of the commercial conference of the Pacific coast also sets forth other facts of interest, as follows:

(*a*) The Pacific Coast Steam-ship Company, an American line, receives from the Canadian postal department $17,640 per annum and from the United States Government *only* $219 *per annum*.

(*b*) The Mexican Government pays to a Mexican steamer, running between San Francisco and Mexican ports, $42,500 a year, whereas, for a more frequent service, the United States Government pays an American line only the sea postage, an insignificant sum.

(*c*) The Australian, New Zealand and Hawaiian Line, an American line, receives from the Hawaiian Government $24,000 a year, and from the governments of New Zealand and New South Wales, British colonies, $200,000 a year, and from its own Government only about $10,000 a year. But worse than this, the United States, as shown by the report of the commercial conference, realizes a large net revenue from this postal service, which is likely to lapse in consequence of the refusal of the United States Government to bear its equitable share of the burden of a line which already has developed a large commerce with Australasia.

Besides this the parliament of the Dominion of Canada, at its last session, appropriated $125,000 a year for a line from Vancouver, British Columbia, to Australia and New Zealand, and directed that efforts should be made for securing additional subsidies from those colonies.

The commercial conference of the Pacific coast thus presented to the country the spectacle of the threatened destruction of American commerce on the Pacific Ocean, and called upon Congress to adopt the proper measures for preventing the threatened disaster and for securing the establishment and maintenance of American steamer lines to and from American sea-ports on the Pacific coast.

UNJUST DISCRIMINATION BY CANADA IN THE MATTER OF ENTRANCE AND CLEARANCE FEES.

The settled policy of the Dominion government to overreach the United States in all matters relating to the conduct of commerce is strikingly illustrated in the manner in which they succeed in establishing a discrimination against American vessels on the lakes in the matter of entrance and clearance fees. They have provided by section 112 of their Revised Customs Act for a license to Canadian vessels navigating the lakes, for which a fee of 50 cents is required, also a fee of 50 cents for each entrance at, and a fee of 50 cents for each clearance from, a Canadian port. Then by an "order-in-council," the Canadian mode of backing out of a statutory requirement, they exempt Canadian vessels from the payment of entrance and clearance fees, amounting to $1 for each visit to a Canadian port, while such fees are imposed

upon American vessels. This is shown by the following copies of the Canadian statute, order-in-council, and license above referred to:

SECTION 112 OF THE REVISED CUSTOMS ACT OF THE DOMINION OF CANADA.

The governor in council may grant yearly coasting licenses to British vessels navigating the inland waters of Canada above Montreal, and may direct that a fee of 50 cents shall be payable for each such license, and that the master or person in charge of any vessel navigating the said waters and not having a coasting license shall, on entering any port in Canada with such vessel, pay a fee of 50 cents if such vessel is not over 50 tons burthen, and of $1 if she is more than 50 tons burthen, to the collector on each entry; and a like fee of 50 cents or $1, according to the burthen of the vessel, on each clearance of such vessel at any port; and such fee shall be payable accordingly before such vessel shall be entered or cleared: *Provided*, the governor in council may reduce or readjust such fees, but may not increase them beyond the amount hereby fixed: *And provided also*, That vessels merely passing through any of the Canadian canals, without breaking bulk, shall not be liable to such fees.—(46 v., c. 12, s. 234.)

ORDER IN COUNCIL.

GOVERNMENT HOUSE, OTTAWA,
Wednesday, May 22, 1889.

Present His Excellency the Governor-General in Council.

His Excellency, in virtue of the powers vested in him by "The Customs Act," chapter 32 of the Revised Statutes of Canada, section 112, and by and with the advice of the Queen's Privy Council for Canada, is pleased to order, and it is hereby ordered, that the fee to be exacted from all vessels navigating inland waters, when entering or clearing at any port above Montreal, shall be 50 cents for each such report inwards, or clearance outwards, irrespective of the tonnage of the vessels so entering or clearing, except vessels holding coasting licenses, and that all orders or regulations inconsistent herewith shall be rescinded.

JOHN J. [illegible],
Clerk [illegible] Council.

DOMINION OF CANADA—COASTING LICENSE FOR THE YEAR 188—.

To all whom it may concern:

This license is granted to (1) ——— ———, of (2) ———, master of the (3) ———, of (4) ———, (5) ——— tons burthen, British registered, and wholly owned by British subjects, to employ the said vessel until the 30th day of June, 188—, to carry goods—always being subject to entry or clearance, conformably with the coasting regulations of the Dominion of Canada, he having with two sureties, entered into the necessary bonds.

Given under my hand this —— day of ———, 188—.

———— ————,
Collector, Port of ———.

CANADIAN VIOLATION OF THE PROVISIONS OF THE TREATY OF WASHINGTON BY AN UNJUST DISCRIMINATION IN FAVOR OF MONTREAL.

A cunning mode of discriminating against American sea-ports in the interest of Montreal has been devised by the Dominion government. Both American and Canadian vessels passing through the Welland Canal are obliged to pay 20 cents a ton on their cargoes. If the vessel is bound to an American port on Lake Ontario or on the St. Lawrence River, no deduction is made from this charge; but if her cargo is to be shipped to Montreal from Kingston, at the head of the St. Lawrence River, a rebate of 18 cents per ton is made on wheat, Indian corn, peas,

barley, and rye, which constitute the great bulk of shipments from the United States to foreign countries via Montreal. This practice is what is commonly known among railroads as cutting the rates. This manifest violation of the provisions of Article XXVII of the treaty of Washington, and of the reciprocal concessions upon which the "transit trade" is based, is accomplished by means of an "order-in-council."

The following is a copy of the order-in-council issued on the 20th of April, 1888. A similar order was issued on the 18th of March, 1889, and one will undoubtedly soon be issued for the season of 1890:

INLAND REVENUE,
GOVERNMENT HOUSE, OTTAWA,
Friday, April 20, 1888.

Present His Excellency the Governor-General in Council:

On the recommendation of the Minister of Railways and Canals, and under the provisions of the thirteenth section of chapter 37 of the Revised Statutes of Canada, entitled "An act respecting the Department of Railways and Canals:"

His Excellency in Council has been pleased to order, and it is hereby ordered, that the special rates of the 2 cents per ton adopted last year for the passage through the Welland and St. Lawrence Canals of certain cereals, wheat, Indian corn, peas, barley, and rye, when shipped for Montreal, or for any other port east of Montreal, be continued during the forthcoming season of navigation and no longer, such toll covering the Welland and the St. Lawrence Canals.

His Excellency has been further pleased to order the continuance, for the same period only, of the arrangement under which the said food products, if they have paid the ordinary full tolls for passage through the Welland Canal, shall be entitled to exemption from payment of any further toll for passage through any portion of the St. Lawrence Canal system, even if not traversing the whole distance to Montreal.

JOHN J. MCGEE,
Clerk Privy Council.

THE IMPORT OF THE QUESTION WHICH CONFRONTS US AS A NATION

In order to form a clear conception of the nature and effect of the encroachment upon American interests caused by the Canadian Pacific system, including the railroad and its connecting ocean steamer lines, and of the disturbances produced by such encroachments, let us suppose, for the purpose of illustration, that the State of New York should use its power of taxation to construct a railroad from the Atlantic to the Pacific, with branch lines to all the principal cities of the country, and then subsidize a line of steamers across the Atlantic, and another across the Pacific running in connection with the railroad. The State of New York could, by virtue of its enormous wealth, do that much more easily than the Dominion of Canada has built its political railroad with connecting ocean steamer lines.

If, then, the State of New York should back up this supposed combination up so that it could reduce all competitive rates below the rates necessary in order that private roads could pay interest charges, is it not evident that private enterprise in the railroad business would be paralyzed and that the commerce of cities competing with New York would be paralyzed? Our interstate-commerce law would become a dead letter from its very inapplicability to the new state of affairs. But that is just what is now being done by the Dominion Government through its Canadian Pacific combination. To be sure, this foreign aggressor has not so much power as the supposed New York combination would have to revolutionize the commerce of the country, but that is simply due to the inferior geographical location of the great government railroad of Canada. To a very great extent, however, that rail-

road is doing the very thing here supposed, and, of course, to a much greater extent west of Chicago than east of that city. The success of this Canadian enterprise is one of the most efficient means of holding the present Canadian administration in power through the éclat which it wins by its audacity and by its encroachments upon American interests.

This comparison serves to illustrate another important consideration, which lies at the foundation of the whole subject which this committee has been appointed to investigate. Reference is had to the fact that such governmental participation in transportation and in navigation as that here referred to is out of the question in the United States, but that in Canada it is made a fundamental feature of governmental policy. It gains approbation and support from one end of the Dominion to the other. The word subsidy seems to possess a charm to the British people and to the people of Canada, while our own people have for many years exhibited a decided aversion to subsidies and now are considering the propriety of having recourse to subsidies simply as a means of defending the maritime interests of the United States against the injurious effects of the subsidies granted by foreign nations to their own vessels engaged in international commerce.

Besides all this the British people have for centuries been accustomed to associate the military and financial strength of their government with the success of British commercial enterprise, and to regard that association as an essential condition to success. The history of British commerce seems to prove the power and efficiency of the combination.

This line of thought leads directly to the practical business consideration upon which the persistent encroachment of British and Canadian governmental power upon American commerce is based. The competition between American vessels on the ocean and on the lakes is a sharp competition. It leaves only a narrow margin of profit. American railroads, from the Atlantic to the Pacific, are also sharply competing with each other and holding profits to a narrow margin. The same thing is true in commerce. Rival merchants and rival cities are competing on narrow margins of profit. The whole tendency of the transportation and commercial facilities of the age is towards a parity of values. The constraint is terrific. Some one is all the while being squeezed out. In this state of affairs Great Britain and Canada find their opportunity. So does every nation which is inclined to hitch its financial power to the wheels of its own commerce. Thus it is that, by attacking the narrow margins of profit in the transportation business here and there, our competitor at the north has been exploiting upon American commerce for many years. It is doing that very thing to-day, in a more high-handed and exultant way than ever before. All that is necessary for the governments of Great Britain or Canada to do is to throw a sufficient advantage in favor of British steamers, Canadian fishing vessels, and Canadian railroads to turn our commerce from American ocean steamers, American fishing vessels, American railroads, and American sea-ports. This, as already shown, is being done, not only by subvention, but also by enabling statutory provisions, which go in the face of the interstate-commerce act of the United States.

CONCLUSIONS AND RECOMMENDATIONS.

While the committee has not felt itself called upon to enter upon any special investigation of the fisheries' question, it nevertheless appears to be within the scope of the authority given it by the Senate to express its opinion on the commercial aspects of the question.

The denial of the privileges of the transit trade to fish caught by American fishermen, the refusal to allow American fishing-vessels to seek shelter from storms when in distress in Canadian ports and harbors of refuge, the refusal to allow American fishing-vessels to trade in Canadian ports as freely as Canadian vessels are allowed to trade in American ports, is in open violation of Article 3 of the Treaty of Peace concluded between the United States and Great Britain in 1783, Article 23 of the treaty of 1794, the reciprocal maritime legislation of 1830, and the comity of nations.

The late Daniel Manning, Secretary of the Treasury, characterized the denial of the humanities of the sea to American fishermen by the authorities of Canada and Newfoundland as "an act of barbarism fit only for savages."

None of the above mentioned disabilities attach to Canadian vessels in American sea-ports.

The diversion of our commerce from American steamer lines on the Pacific Ocean and from the Pacific sea-ports of the United States seem to demand special attention and such action by Congress as will give protection to our Pacific sea-ports and Pacific steamer lines.

During the early history of our Government the attention of American statesmen was especially directed to the duty of protecting the shipping and commercial interests of the United States against Governmental policies adopted by foreign countries in favor of their own interests.

The first protest of this character by the people of this country is embodied in the Declaration of Independence, wherein it was declared that the King of Great Britain had given his assent to laws "for cutting off our trade with all parts of the world." At no period in our history have the American people been called upon to consider a scheme of encroachment upon American commercial interests more injurious than the scheme by the Dominion of Canada in the construction of the Canadian Pacific Railway, the subsidizing of British steamer lines on the Pacific Ocean in connection with such railway, and finally by an arrangement by the Canadian Pacific Railway Company with an American steam-ship company by which goods are carried in bond between Port Moody and the sea-ports of Washington, Oregon, and California to and from the East via the Canadian Pacific Railway, rendering certain the destruction of American steamer lines now engaged in our foreign commerce and the diversion of our Asiatic commerce from American sea-ports to the ports of British Columbia.

The fact that the steamers of the British lines are so constructed as to be available as war ships, and the further fact of the existence of the military establishment on Vancouver Island emphasize the importance of adopting remedies for the prevention of the diversion of American commerce, which shall be both certain and immediately available.

The difficulty to be met is not alone one simply of commercial competion, but, on the part of the United States, it is a defense against a Governmental policy having in view the wresting of commerce from American ships, American sea-ports, and American transportation lines.

While the committee, under the authority conferred upon it by the resolution of the Senate providing for the investigation, does not feel justified in reporting legislation in relation to the subjects just mentioned, yet they are so closely allied to the questions which the committee was directed to inquire into that it regards it a duty to make the suggestions it has for such action by Congress as may be deemed wise and proper.

(1) The entrance fee of 50 cents and clearance fee of 50 cents or $1 every time an American vessel visits a Canadian port on the inland waters of the Great Lakes and their tributary bays, rivers, and straits constitute an unjust discrimination against American vessels, Canadian vessels being exempt from such charges by a license fee of 50 cents payable once a year. Such discrimination is in violation of the spirit if not the letter of the Treaty of Washington of 1871. The laws of the Dominion of Canada place American and Canadian vessels upon the same terms as to entrance and clearance fees, but the discrimination is made through the expedient of an order in council.

The committee recommend that so long as such discrimination in entrance and clearance fees in Canadian ports continues all Canadian vessels should be required to pay entrance and clearance fees of equal amount on entering and clearing the ports of the United States, on the Great Lakes or their tributary navigable waters.

(2) The rebate of 18 cents per ton in tolls on certain products of the United States passing through the Welland Canal, if bound to Montreal, constitutes an unjust discrimination against ports of the United States on Lake Ontario and the St. Lawrence River. This discrimination is an open violation both of the spirit and letter of the Treaty of Washington. This was clearly explained by the Hon. Nelson Dingley, jr., in the House of Representatives in a speech delivered in January, 1888.

The committee recommend that so long as the discrimination in tolls of 18 cents per ton on products of the United States in favor of Montreal or ports below that city on the St. Lawrence River is made by the Dominion Government a discriminating toll on the tonnage of all Canadian vessels shall be imposed upon all such vessels every time they pass through the Sault Ste. Marie Canal.

(3) The question as to the proper regulations which shall be imposed upon Canadian railroads upon their engaging as common carriers in competition with American railroads in the transportation business of the United States has engaged the earnest consideration of the committee. The general proposition that Canadian railroads which compete with American railroads for traffic between different points of the United States should be subjected to the same requirements of law and of regulations in pursuance of law which apply or may hereafter apply to American railroads, is so clearly marked by principles of justice and equity that it must command the assent of every fair-minded person.

There is now much discussion throughout the country as to whether the fourth section of the act to regulate commerce shall or shall not be modified or repealed. Whatever conclusion the committee may reach hereafter on that question as the result of investigation it seems, in the judgment of the committee, to be the duty of Congress to take such action as will give American railroads an even chance in competition with the roads of Canada doing business in the United States.

The justice of such action becomes more apparent in view of the existence of sections 226 and 232 of the Canadian statute for the regulation of traffic. Those sections are regarded as manifest suggestions of unjust discrimination by the Canadian railroads against competing

American railroads, and in terms justify Canadian railroads as to all traffic secured from the United States in disregarding the rule established by the fourth section of our act to regulate commerce and known as the long and short haul rule.

The committee therefore recommend that either such a license system shall be established as will be applicable to the Canadian railroads doing business in the United States, or that some other plan, not injurious to the general trade and commerce of the country, be adopted which shall secure to American railroads an equal chance in competition with Canadian railroads. Such action, in the judgment of the committee, is in the interest not only of American railroads and especially American transcontinental lines, but in the interest of American commerce and of the general prosperity of the American people.

TRANSPORTATION INTERESTS OF THE UNITED STATES AND CANADA.

STATEMENTS TAKEN BEFORE THE COMMITTEE ON INTERSTATE COMMERCE OF THE UNITED STATES SENATE WITH RESPECT TO THE TRANSPORTATION INTERESTS OF THE UNITED STATES AND CANADA.

NEW YORK, *May* 6, 1889.

The committee met at 11 o'clock a. m. Present, Senators Cullom (chairman), Platt, Blair, Hiscock, Harris, Gorman, and Reagan.

The CHAIRMAN. The committee will come to order. The clerk will read the original resolution, which explains the purposes generally of the committee's sitting here.

The clerk, Clarence R. Paul, read as follows:

Resolved, That the Committee on Interstate Commerce be, and it is hereby, directed to ascertain and report to the Senate whether any railroad lines located in the United States are owned, operated, or controlled by the Grand Trunk Railway Company, the Canadian Pacific Railway Company, or any other Canadian railroad corporation; whether commerce originating in the United States is diverted from American to Canadian lines of transportation, and, if so, to what extent and by what means; and whether there is any discrimination in the charges made for tolls or otherwise against American vessels which pass through the Welland and St. Lawrence Canals.

Said committee is further directed to inquire fully into the question of the regulation of the commerce carried on by railroad or water routes between the United States and the Dominion of Canada, and to report what legislation on the subject, if any, is necessary for the protection of the commercial interests of the United States or to promote the enforcement of the "act to regulate commerce," approved February 4, 1887.

In making the inquiries required by this resolution said committee shall have power to send for persons and papers, to administer oaths, to employ a clerk and a stenographer, to sit during the recess of Congress, and to do whatever is necessary for a thorough investigation of the subject. Any subcommittee may exercise the powers hereby granted to said committee, and the expenses of said investigation shall be paid from the contingent fund of the Senate upon vouchers duly approved.

The CHAIRMAN. There is a subsequent resolution to the one which has just been read, the original resolution having been adopted at the regular session and at a time when we supposed we would have some vacation. The clerk, therefore, will read the resolution passed during the last session of Congress.

The clerk read as follows:

Resolved, That the Committee on Interstate Commerce be, and it is hereby, directed to continue the investigation ordered to be made by the resolution of the Senate of August 3, 1888, and such committee is hereby given all the authority conferred by said resolution, and power to sit during any recess of the Senate prior to December, 1889, the necessary expenses of such investigation to be paid from the contingent fund of the Senate.

6543——1

Mr. Albert Fink, commissioner of the Trunk Lines Association, appeared.

The CHAIRMAN. The purpose of the reading of these resolutions was to let them go in the record as the basis of our work, and, in addition, to call the attention of Mr. Fink, who is now before us, to the line of investigation which the committee is here to pursue. Will you be kind enough, Mr. Fink, to state what your present relation is to the railroads of the country?

STATEMENT OF ALBERT FINK.

Mr. FINK. I am at the head of a bureau or an an association of railroads whose object is to arrange with each other the joint tariffs and competitive tariffs, to secure uniformity of charges as well as the uniformity of classification, and for the purpose of maintaining the established tariffs.

The CHAIRMAN. Established under the interstate act?

Mr. FINK. The tariffs are established by the railroads in accordance with the interstate law.

The CHAIRMAN. You mean subject to the interstate law?

Mr. FINK. Yes, sir; in accordance with the interstate law, and the object of the association—and that was its object before there was any interstate law—is to make uniform and reasonable tariffs and to maintain them alike with respect to all shippers. In fact, the association was intended to accomplish in this respect what it is designed to accomplish by the interstate law.

Senator HISCOCK. If it is in order in this connection, I would suggest, Mr. Chairman, that Mr. Fink state the trunk lines that are in this association, and let him define them.

The CHAIRMAN. I was about to ask him questions in the line suggested.

Senator BLAIR. The concluding remark of Mr. Fink was that the object in arranging the tariffs was the same before the enactment of the interstate law as it is now.

Mr. FINK. Yes, sir.

Senator BLAIR. Were the tariffs arranged in accordance with the provisions of the interstate law before that law was enacted?

Mr. FINK. In accordance with the general principles of the interstate law, viz, that the tariffs should be reasonable and just. There is one provision of the law now that was not obligatory at that time, and it is now only carried out with certain proper exceptions. That is the long and short haul clause. But as far as the lines with which I am associated are concerned this principle was generally recognized in making tariffs.

Senator HARRIS. I want to suggest to the committee, with a view to the economizing of time and the making of systematic inquiry into the questions that we are required to inquire into, that the chairman shall conduct an examination until he is through, and then give each member of the committee an opportunity to ask any questions he may desire to ask. By pursuing that method we will have at least a systematic statement originally, and then every member of the committee can interrogate Mr. Fink in regard to any particular matter he may have in mind.

The CHAIRMAN. I think it would result in the economy of time if the mode of procedure suggested by Senator Harris be followed. Still I

think that there is no serious objection to the members of the committee asking questions when the statements of Mr. Fink suggest them.

Senator HARRIS. I make that motion.

The CHAIRMAN. I do not suppose it is necessary to put the motion; I suppose it will be understood that the examanition will be conducted in the usual manner.

Senator BLAIR. I think that this examination will be conducted like the usual investigations conducted by Senate committees.

The CHAIRMAN. While it is for the committee to determine the line of investigation with a view to economizing the time we have within which to do the same, I should prefer to go through with some questions myself, if agreeable to the other members of the committee, and then have the witness questioned by such members of the committee as wish to do so. I think if we follow that method it will result in the economy of time and in the thoroughness of this inquiry.

Senator BLAIR. That is quite proper, and the usual custom.

The CHAIRMAN. You say, Mr. Fink, you represent the trunk lines handling the traffic between the Mississippi River and the East?

Mr. FINK. Yes, the lines running from the seaboard cities to the Mississippi River and to Chicago.

The CHAIRMAN. Will you name the lines?

Mr. FINK. The trunk lines in the association commencing on the north are the Grand Trunk Railway——

The CHAIRMAN. The Grand Trunk Railway of Canada?

Mr. FINK. Yes; the Grand Trunk Railway of Canada. I will mention the trunk lines first. We make a distinction between the trunk lines and their western connections. The latter reach from the western termini of the trunk lines to the Mississippi River and the Ohio River. I have mentioned first the Grand Trunk of Canada. Next comes the New York Central.

The CHAIRMAN. You refer to the Grand Trunk Line. Now will you give its terminals?

THE GRAND TRUNK SYSTEM.

Mr. FINK. The main line of the Grand Trunk system runs from Chicago, Ill., to Portland, Me., through Port Huron, Toronto, and Montreal. The road from Chicago to Port Huron is called the Chicago and Grand Trunk. It is an American corporation, but it is altogether owned by the Grand Trunk Railway Company as far as I know. At Port Huron it connects with the main line of the Grand Trunk proper, passing through Toronto and Montreal and then into the United States, into Maine to Portland.

The CHAIRMAN. That is the eastern terminus?

Mr. FINK. Yes, sir; the eastern terminus of the main line. Then it controls or owns a road from Port Huron to Suspension Bridge, and also a road from Detroit to Buffalo through Canada, connecting at Buffalo and Suspension Bridge with the American system of railroads. It has a number of branch lines in Michigan.

The CHAIRMAN. Perhaps it would be just as well to give, in connection with your description of the Grand Trunk, all the roads which it controls by lease or otherwise.

Mr. FINK. The Grand Haven and Detroit Railroad is another line. It controls also a road in Michigan, called the Toledo, Saginaw and Muskegon Railway, which it has lately acquired.

Senator REAGAN. There is a branch down to Detroit from Port Huron, I believe?

Mr. FINK. They have a branch to Detroit.

The CHAIRMAN. Have you given all the roads of that system in the United States?

Mr. FINK. I have given the main roads. I can not specify all its branch roads.

Senator REAGAN. Describe the points of distribution of traffic by the Grand Trunk down to New York, Portland, etc.

Mr. FINK. Its main line runs to Portland, Me., but to Boston and New England points it connects at St. John with the Central Vermont, and the Central Vermont connects with the Boston and Maine and the Fitchburg railroads reaching Boston. It connects through these roads with all or nearly all of the New England roads. The Central Vermont runs to New London on the sound, and the Grand Trunk gets business from New York by way of New London and St. John and Montreal and to all points in the West, even as far south as Memphis.

The CHAIRMAN. Where do they connect with the New York Central?

Mr. FINK. At Buffalo. I mentioned the Central Vermont as the chief connection of the Grand Trunk in New England; but it has also connections via its main line in Maine, at Sherbrook, with other New England roads. At Buffalo its branch roads, that run from Port Huron and Detroit to Buffalo and Niagara Falls, connect with the New York Central, with the Erie, and with the Delaware, Lackawanna and Western, and with the Lehigh Valley and the West Shore. It also has a connection with New York through the Rome, Watertown and Ogdensburgh Railroad, which runs from Niagara Falls to Oswego, where it connects with the Ontario and Western to New York.

The CHAIRMAN. And it has no control over many of these roads you have mentioned?

Mr. FINK. No, sir.

The CHAIRMAN. It has simply business connections with them, just like the roads in the United States have business connections among themselves?

Mr. FINK. Yes, sir. The Canada Southern is a Canada road, but is leased by the Michigan Central Railroad Company, and is a competing road with the Grand Trunk.

The CHAIRMAN. How many roads are there, and which are they, actually owned by the Grand Trunk which do business in the United States?

Mr. FINK. There is the Chicago and Grand Trunk, and that part of the main line in the State of Maine terminating at Portland; the Detroit, Grand Haven and Milwaukee Railroad, and the other roads in Michigan already mentioned.

The CHAIRMAN. Let me call your attention to this list I have before me, and let us see whether it is correct. There is the Atlantic and St. Lawrence Railroad Company, extending from Portland, Me., through New Hampshire and Vermont, to the national boundary; mileage, 166.58. Do they own that?

Mr. FINK. I do not know it by that name.

The CHAIRMAN. It runs from Portland, Me., through New Hampshire and Vermont, to the national boundary.

Mr. FINK. Yes, and to Montreal, does it not?

The CHAIRMAN. Yes.

Mr. FINK. That is the American portion of the Grand Trunk Railroad, of the main line, but it goes under the name of the Grand Trunk Railroad. I suppose, however, that the road originally was named as you call it.

The CHAIRMAN. Then there is the Detroit, Grand Haven and Milwaukee Railway, extending from Detroit to Grand Haven, in the State of Michigan. Is that another of their connections?

Mr. FINK. Yes.

The CHAIRMAN. And the Chicago and Grand Trunk Railway Company, including two short terminal lines to enter Chicago, extending from Port Huron, Mich., through Indiana to Chicago. I believe you mentioned that line.

Mr. FINK. Yes, sir.

The CHAIRMAN. And then the Lewiston and Auburn Railway, running from Lewiston, Me., to Lewiston Junction.

Mr. FINK. I do not know anything about that road.

The CHAIRMAN. You do not know whether they own that or not?

Mr. FINK. No, sir.

The CHAIRMAN. It is a very short road, only 5 or 5½ miles long.

Mr. FINK. I never had anything to do with it.

The CHAIRMAN. Then there is the Michigan Air Line Railway, extending from Lennox to Jackson, Mich.

Mr. FINK. I have mentioned that.

The CHAIRMAN. Then there is the Chicago, Detroit and Canada Grand Trunk Junction Railway, extending from Detroit Junction to Fort Gratiot, 59.37 miles long. Do you understand that to be one of them?

Mr. FINK. Yes, sir.

The CHAIRMAN. Then there is the Toledo, Saginaw and Muskegon Railway, extending from Muskegon to Ashley, Mich.

Mr. FINK. Yes; that is one I mentioned.

The CHAIRMAN. These roads I have mentioned make a mileage, according to this document I have before me, of 857.22 miles.

Mr. FINK. In the United States, yes.

The CHAIRMAN. These roads, the first one for instance, the Atlantic and St. Lawrence Railroad, extending from Portland, Me., through New Hampshire and Vermont to the national boundary, being 166.58 miles, seems to have a capital of $8,443,000, with gross earnings from operation of $1,107,764.77, with a total freight tonnage of 836,152 tons. The Detroit, Grand Haven and Milwaukee Railway, being 189 miles long, has a capital of $6,995,347.92, with gross earnings from operation of $1,148,316.70, and total freight tonnage of 618,012 tons.

The Chicago and Grand Trunk Railway, including two short terminal lines to enter Chicago, extending from Port Huron, Mich., through Indiana, to Chicago, Ill., has a mileage of a little over 335 miles and a capital of $22,601,316.83, with gross earning of $3,487,589.08, and total freight tonnage of 1,540,659 tons.

I am calling your attention to these roads so that if I am mistaken in stating these figures, and you have the data with you, you may correct me.

Mr. FINK. I have brought no such data with me.

The CHAIRMAN. Then there is the Lewiston and Auburn Railway, extending from Lewiston, Me., to Lewiston Junction, with about 5½ miles of rail, having a capital of $300,000, with gross earnings of $35,685.22, and a total freight tonnage of 52,536 tons.

Also the Michigan Air-Line Railway Company, extending from Lenox to Jackson, Mich.; mileage, 105.59; capital, $1,808,666.67, with gross earnings of $169,176, and total freight tonnage of 262,791 tons.

Also the Chicago, Detroit and Canada Grand Trunk Junction Railway, extending from Detroit Junction to Fort Gratiot, Mich.; mileage,

59.37; capital, $2,881,141.46, with gross earnings of $248,123.52, and total freight tonnage of 375,904 tons.

The Toledo, Saginaw and Muskegon Railway, extending from Muskegon to Ashley, Mich., 96 miles, with a capital of $3,248,000; earnings and tonnage not reported.

The totals of these statistics are: Mileage, 857.22 miles; capital, $46,277,472.88; gross earnings, $6,196,655.29; tonnage, 3,687,054. All these roads seem to be in some way connected with the Grand Trunk.

Mr. FINK. Are these data taken from testimony before the Interstate Commerce Commission?

The CHAIRMAN. Yes, sir.

Mr. FINK. That is very much more reliable that anything in that connection that you could get from me.

The CHAIRMAN. Have you the mileage of the Grand Trunk proper from Portland to Chicago?

Mr. FINK. No, sir; I have not. I refer you to the Railway Guide, if you wish that. I do not remember all these figures. The distance between Portland and Chicago, via the Grand Trunk, is 1,134 miles.

Senator REAGAN. If you will allow me to make the suggestion, Mr. Chairman, the number of branch lines controlled by each of these trunk routes is given fully in Poor's Manual. We can get it from that as well as from Mr. Fink. I was thinking whether it would not be better for us to let Mr. Fink make any general statment he wants to, and then to go into details afterward. Mr. Fink probably knows better than any other individual we can get before us the amount of commerce that goes off all the American portions of these lines on to the Grand Trunk, or that goes from the Grand Trunk to New York, Boston, and Portland, and the reverse, and what goes by water and what by rail.

The CHAIRMAN. Allow me to get through with some questions before we go into these matters in detail. Now, Mr. Fink, give the other trunk lines that you are agent of and their names and lengths.

THE TRUNK LINES AND CONNECTIONS.

Mr. FINK. Commencing from the north I have mentioned this Grand Trunk Railway as the first trunk line, then the New York Central and Hudson River Railroad as the second, the Erie as the third.

The CHAIRMAN. The New York Central proper is a road within the State of New York?

Mr. FINK. Yes, sir; and connects with the Grand Trunk at Buffalo.

The CHAIRMAN. What is its line, for instance, from the Mississippi River to New York; it has a line, I suppose, which it controls, in a sense, that distance?

Mr. FINK. No; the New York Central proper extends only from New York to Buffalo. It has then connecting roads which are controlled by the same parties who control the New York Central. The New York Central is a corporation within the State of New York, and has no control of any road west of Buffalo.

The CHAIRMAN. What are the roads forming connecting lines with the New York Central?

Mr. FINK. The Michigan Central and Canada Southern form one line, and the Lake Shore is another; those are its main connections; then there is the lake.

The CHAIRMAN. Do the same men who control the New York Central also control those lines?

Mr. FINK. No, sir; there is a different management of the western roads,

although, to a great extent, the proprietors are the same. The Vanderbilt interest is the controlling interest in the roads I have mentioned.

The CHAIRMAN. Does the New York Central do business between here and Chicago with any other road just as it does with the Michigan Central and the Canada Southern and the Lake Shore?

Mr. FINK. The main connections of the New York Central are those three roads.

The CHAIRMAN. Is not that substantially a common ownership.

Mr. FINK. There are different stockholders and there is a different management. You could not say they were under one control and ownership.

The CHAIRMAN. Do these roads over which the New York Central exercises ownership do business with roads running into Canada?

Mr. FINK. The New York Central does business with the Grand Trunk into Canada.

The CHAIRMAN. And does it not give it to any other road running into Canada?

Mr. FINK. It gives business to the Canada Southern to roads reached by that road in Canada.

Senator REAGAN. When you speak of the trunk lines under your control, you refer, I suppose, to the system being under your control?

Mr. FINK. I do not say that they are under my "control."

The CHAIRMAN. Allow me to follow out what I am trying to get at. What is the connection, Mr. Fink, between the New York Central and the Michigan Central?

Mr. FINK. Do you mean the physical connection or the financial connection?

The CHAIRMAN. I will get at it in this way: The New York Central, in doing business between here and Chicago, will do it over the Michigan Central or the Lake Shore?

Mr. FINK. Yes, sir; they are the main connections of the New York Central.

The CHAIRMAN. And they are regarded, are they not, as the New York Central line between here and Chicago?

Mr. FINK. Yes, sir; and generally called the Vanderbilt system.

The CHAIRMAN. That is the Michigan Central and the Lake Shore?

Mr. FINK. Yes, sir.

The CHAIRMAN. Now, what are the other roads that you mentioned?

Mr. FINK. I had got as far as the Erie. I named it as the third trunk line. Then, there is the West Shore, which is really a part of the New York Central. It is leased by the New York Central, although it is operated as an independent trunk line. Then comes the Ontario and Western.

The CHAIRMAN. Where is that located?

Mr. FINK. That runs from New York over a part of the West Shore Railroad, and then it runs to Oswego, and at Oswego it connects with the Rome, Watertown and Ogdensburg Railroad to Niagara Falls, and there it connects with the Western roads. One of its principal connections is the Grand Trunk.

The CHAIRMAN. Does it do business on the Grand Trunk from there west as far as Chicago?

Mr. FINK. Yes. Then there are the Lehigh Valley and the New Jersey Central; although they are not direct trunk lines they connect again with some of the other trunk lines. Then, there are the Pennsylvania Railroad, the Philadelphia and Reading, and the Baltimore and Ohio.

The CHAIRMAN. You did not describe the Erie connections.

Mr. FINK. They connect at Buffalo with the Grand Trunk, also with the Lake Shore and Canada Southern and Michigan Central Roads.

The CHAIRMAN. And do business with them from there west?

Mr. FINK. Yes; west and east. Then the Erie has a line to Salamanca and via the New York, Pennsylvania and Ohio and the Chicago and Atlantic to Chicago, these roads together forming one line from New York to Chicago.

The CHAIRMAN. Have you described all the trunk lines and their connections?

Mr. FINK. Yes, sir.

The CHAIRMAN. What are the Pennsylvania connections between New York and Chicago?

Mr. FINK. It has two lines under its own control, one by way of Pittsburgh and Fort Wayne direct to Chicago, and the other via the Pittsburgh, Cincinnati and St. Louis Railroad from Pittsburgh by way of Columbus, Ohio, which also runs to Chicago. Neither the Baltimore and Ohio nor the Pennsylvania connects with the Grand Trunk. The Baltimore and Ohio Chicago line runs by way of Wheeling and Parkersburg to Chicago, the whole line being under its own control.

The trunk lines at their western termini, or at least those which do not control any lines beyond by lease or ownership connect with a number of western roads, such as the Lake Shore, Michigan Central, Canada Southern, Nickel Plate, and Grand Trunk, and these roads connect with a large system of western roads located west of the western termini of the trunk lines, east of the Mississippi, and north of the Ohio River, which roads form the Central Traffic Association. The Trunk Line Association, New England roads, and the Central Traffic Association form together what is called the joint committee, for the purpose of establishing joint tariffs upon the roads represented in both associations, and in dealing with other traffic associations in establishing tariffs beyond the territory of the joint committee each association deals with the matters local to itself, and in matters in which they are mutually interested they act under the organization of the joint committee.

OBSERVANCE OF THE INTERSTATE COMMERCE ACT.

The CHAIRMAN. All these dealings by you and your associates are, as you think, in harmony with the provisions of the interstate commerce act?

Mr. FINK. They are not only in harmony with the interstate commerce act, but I think they are absolutely necessary in order to carry out its object and intent. The interstate commerce act makes no provision for the establishments of tariffs. It requires that the tariffs shall be reasonable and just, and shall be enforced and maintained. It leaves the work of making the tariffs to the railroad companies; and to establish reasonable and just tariffs on 150,000 miles of railroad is the problem which has first to be solved by the railroads. Any one who is familiar with the subject will appreciate the difficulties of that problem. It is for the purpose of solving this problem that these associations of railroad companies are formed. They are absolutely necessary to establish proper tariffs, classifications, etc. The interstate commerce law would be entirely ineffective in securing its object without their aid, and, as I have said before, they existed prior to the interstate commerce act.

The CHAIRMAN. Your organization is not exactly the same since the passage of the interstate act as it was before, is it?

Mr. FINK. The organization is the same.

The CHAIRMAN. Do you carry out the same purposes now?

Mr. FINK. The same purposes and intentions.

The CHAIRMAN. Do you classify freight?

Mr. FINK. Yes; we agree upon a uniform classification.

The CHAIRMAN. Do you direct freight to be sent on one line and not on another?

Mr. FINK. We do not do that.

The CHAIRMAN. Do you divide the earnings?

Mr. FINK. Not since the interstate act took effect.

The CHAIRMAN. That is what I am trying to find out, whether you are doing the same thing now that you did before the passage of the act. What is the difference, in your opinion, between what you are doing now and what you were doing before the act was passed?

Mr. FINK. Nothing, except we do not make any division of competitive traffic. We stopped what some people called pooling.

The CHAIRMAN. You are not pooling now, is that the idea?

Mr. FINK. Yes, sir; that is the effect.

The CHAIRMAN. Are you making contracts with each other or allowing your roads to do so?

Mr. FINK. With respect to the division of traffic, do you mean?

The CHAIRMAN. For the fixing of rates and all that sort of thing.

Mr. FINK. The roads make agreements with each other for the establishment of tariffs and the classification of freight. They did this before the interstate commerce act was in force, and have continued to do so since. The popular impression seemed to be that our association was merely for the purpose of pooling, but that is a mistaken idea. The object of our association was to establish proper tariffs and to maintain them, and the pooling was merely incidental. It was applied to only a comparatively small amount of traffic, and was resorted to merely as a means of maintaining the established tariffs, and to remove the motive for their violation, preventing the payment of rebates and other devices resulting in unjust discriminations.

The CHAIRMAN. You are now doing what you did before, except that you are not dividing earnings and diverting the shipment of freight, is that it?

Mr. FINK. Yes, sir; otherwise the operation of the organization is the same.

The CHAIRMAN. You seem to have the Grand Trunk of Canada in this association just as you have the other roads.

Mr. FINK. Yes, sir; the Grand Trunk has been in the association from the beginning; for the last seven or eight years.

DIFFERENTIAL RATES.

The CHAIRMAN. Will you tell the committee what the facts are with reference to differentials? State if there are any between the Grand Trunk and the American roads.

Mr. FINK. The Grand Trunk, in connection with the Central Vermont, on west-bound traffic from Boston have differential rates; that is to say, lower rates than are charged by some of the other lines.

The CHAIRMAN. How much lower?

Mr. FINK. From Boston the rate via the Central Vermont—an American road—and the Grand Trunk to Chicago via the all-rail route are

the following amounts less than the highest rates charged by the other roads on the respective classes, viz:

Classes.	Per 100 pounds.	Classes.	Per 100 pounds.
	Cents.		*Cents.*
First	10	Fourth	4
Second	8	Fifth	4
Third	6	Sixth	3

The CHAIRMAN. Aggregating about what per cent.?

Mr. FINK. Aggregating, I suppose, about 12 per cent.

The CHAIRMAN. Do they have an advantage, if you know, over and above the American roads in the transportation of freight from west to east, or *vice versa*?

Mr. FINK. It is not so considered. Differential rates are allowed to certain roads because they labor under certain disadvantages which prevent them from obtaining a fair share of the competitive traffic at equal rates with superior lines.

The CHAIRMAN. As between the American roads and the Canadian roads, Canada being a foreign government, do you think it is right that a discrimination in their favor should be made?

Mr. FINK. In the matter of differential rates we make no distinction between the American and Canadian roads. The Canadian roads have not exclusively any differential rates; they have them in connection with the American roads, and they apply to all, regardless of the fact that one road is located in Canada and the others in the United States.

The CHAIRMAN. Suppose the Grand Trunk charged the same between Boston and Chicago as the other trunk lines?

Mr. FINK. Then they would have to go out of business, that is all.

The CHAIRMAN. Who would have to go out of business?

Mr. FINK. The Grand Trunk and its American connecting roads; in this case the Central Vermont.

The CHAIRMAN. You think they would have to quit?

Mr. FINK. I do not say they would have to stop altogether, but they would have to be satisfied with less business.

The CHAIRMAN. Why do you think so?

Mr. FINK. Because their line is longer. They have been working so long under low rates that nobody would be willing to pay them more, and as soon as they advanced the rates a great many shippers would doubtless leave them. The shippers want some inducement in the way of lower rates to ship over that road.

The CHAIRMAN. How much longer is that route than the route of the Pennsylvania or the route of the New York Central between Boston and Chicago?

Mr. FINK. The shortest line between Boston and Chicago is via the Fitchburg, West Shore, and Nickle Plate Railroads, 1,004 miles. The distance via the Central Vermont, Grand Trunk, and Chicago and Grand Trunk roads is 1,175 miles, or about 170 miles longer than via the direct route between Boston and Chicago.

The CHAIRMAN. Do you understand that the Grand Trunk is operated, so far as concerns its business that goes out of the United States into Canada and comes into the United States again, or goes out of the United States into Canada, or comes from Canada into the United States, under the interstate act?

Mr. FINK. The Grand Trunk Company professes to be operating under the act as it understands it. I suppose you are all familiar with the recent case before the Interstate Commerce Commission, in which they were accused of not complying with the law?

The CHAIRMAN. What is the fact—do they publish their rates?

Mr. FINK. I think they profess to do so, and as far as I know they intend to comply with the interstate act?

The CHAIRMAN. In this case you referred to, they published their rates on coal, for instance, from points in the United States to certain points in Canada at $1 a ton, but having made a rebate, they charged really only 75 cents?

Mr. FINK. Yes.

The CHAIRMAN. Do they publish their rates according to the differentials made by agreement between these trunk lines?

Mr. FINK. Yes, as far as I know.

The CHAIRMAN. I understand you to say that the Grand Trunk does business between Chicago and New York?

Mr. FINK. Yes, sir; in connection with American roads.

The CHAIRMAN. Does the Grand Trunk get a differential as between it and the Pennsylvania or the Erie?

Mr. FINK. Not on east-bound business, except on dressed beef. On general merchandise and on grain coming from the West to the East there are no differentials by any road at present.

The CHAIRMAN. Is there not, from Chicago to Boston, a differential in favor of that road?

Mr. FINK. No, sir; on west-bound traffic from Boston and New York the Grand Trunk is a party to differential rates in connection with American lines, as already stated.

The CHAIRMAN. Does your observation justify you in saying that the Grand Trunk publishes its rates between the East and the West, and that it adheres to them, or not?

Mr. FINK. My understanding is that they publish all their rates, and intend to act under the interstate law. I have no guaranty that any road maintains the rates.

The CHAIRMAN. You believe that they do maintain the rates, the Canadian roads as well as the other roads of the United States?

Mr. FINK. That is a difficult question to answer. It is impossible to tell who maintains the rates and who does not, because there are ten thousand ways in which rates can be cut without the possibility of proving it. Generally speaking, I believe rates are maintained. There are a great many difficulties connected with this problem of establishing and maintaining rates. I do not know that I could here fully explain them. It is a very complicated subject. The Grand Trunk, for example, has a line by way of Portland for export traffic and has a different arrangement with the steam-ship lines there than the other trunk lines have with steam-ship lines from New York and other seaports.

The CHAIRMAN. I would like to have you tell us as to that.

EXPORT RATES.

Mr. FINK. The law in regard to this export business is not very explicit. There is a doubt about whether the law intended, and I believe it did not, that the through rates from interior American points to places in foreign countries—say, for example, Liverpool—should be reg-

ulated by the law. If it was so intended, it would be impossible to carry it out. There has been a good deal of dissension between the roads as to the manner in which the export rates should be made and published under the law. The Interstate Commerce Commission has had the matter before it. It is a most complicated and, I fear, insoluble question to be regulated by law.

The CHAIRMAN. I believe the Commission holds that under the law a common carrier can be compelled to state its rates from Chicago, for instance, to Boston or to New York, separate and distinct from the rate from here to Liverpool?

Mr. FINK. Yes, sir; that is their position, and I think it is a correct one.

The CHAIRMAN. If this Canadian Grank Trunk runs through any portion of the United States, and the proper construction of the interstate act is that they shall be required to publish and adhere to their rates, and that all the roads, American as well as Canadian, which do business in this country shall be required to publish their rates from the point from which the freight starts to the seaboard point, separate and distinct from the ocean rate, is not that part of the law enforceable?

Mr. FINK. It is enforceable; but whether by enforcing it justice will be done to all interests is a question.

The CHAIRMAN. If the law be enforced in that respect I can not see where injustice would be done anybody.

Mr. FINK. The Grand Trunk maintains that if it makes the same inland rate on export business via Portland as the other roads make via the other ports, it could not get any steamers to come to Portland. In other words, they have to subsidize steamers to come to Portland. There is no competition there between steam ship lines. Only one line runs from that port during a portion of the year, and if they want business via Portland they have to enter into special agreements with the steam-ship line that will induce them to run their vessels to Portland. If they charge the same inland rate as is charged to Boston, where they have the benefit of competition between the ocean lines, they could not afford to do the business through Portland at the same inland rate. There is no trade at Portland, and they can not, as they do in New York, fill up their ships with what is called spot freight. They are therefore in a peculiar position. If they fix the inland rate too high, they may not get any business at all, and they are prohibited by law from changing the inland rate except on previous notice, to meet the competition via other ports. The same position is held by the Southern railroads. At Norfolk and Newport News the conditions are similar to those at Portland, and entirely different from what they are at New York and Boston. They have no steam-ship competition at those ports.

The CHAIRMAN. How about Baltimore?

Mr. FINK. Baltimore is very much the same as New York and Philadelphia, though Philadelpha has only a few steam-ship lines. So there is something to be said on both sides of the question, and one common rule does not cover all the various conditions that have to be met and dealt with. Of course you can shut up Norfolk and Newport News and Portland as export points by making a cast-iron rule that shall apply alike to every port on the Atlantic and Pacific coasts; but what is to be gained thereby? The effect of such legislation is neither in the interest of commerce nor fair to the competing transportation companies. While its object is to prevent unjust discrimination, it in fact creates it.

The CHAIRMAN. Have you any suggestions with respect to amend-

ment of the interstate act that would be a relief to commerce and improve the situation over what it is now?

Mr. FINK. The difficulty is to regulate commercial transactions by fixed laws. Questions of the nature above referred to have to be dealt with according to the conditions prevailing in each case, and the proper means have to be adapted to the end, in accordance with said conditions. The only remedy I can suggest is to give discretion to the Commission to deal with these questions and to make exceptions where they ought to be made, in their judgment. Many of these questions have to be settled by the railroad companies themselves, and that has been the practice heretofore; but, as they have had no power to enforce their agreements, their settlement has not been permanent. The Interstate Commerce Commission should act as a board of arbitration as between the railroad companies themselves and as between the railroad companies and the public, and see that the proper measures devised and agreed upon are carried into practical effect. Of course it is easier to suggest this than to carry it out, but the only alternative is to put up with the evils which must necessarily result from the enactment of rigid laws to govern commercial affairs, or to adopt some such plan as suggested, imperfect though it may be.

TRAFFIC CARRIED BY CANADIAN LINES.

The CHAIRMAN I will ask you whether you can furnish us a statement of the traffic carried over the Grand Trunk and Canadian Pacific Railways from and to the United States?

Mr. FINK. I can give you a general idea. Take a line running from Parkersburg, Wheeling, Erie, Buffalo, Salamanca, and Toronto, through the western termini of the trunk lines; we have the statistics of the tonnage that is carried from the sea-board cities to these termini and to points west thereof; and also the statistics of the tonnage coming from these points and points west thereof to points east of that line. Of the east-bound traffic just referred to, which amounts to about 11,000,000 tons per annum, the Grand Trunk carries over its main line to Toronto and points east thereof about 8 per cent. of the whole. This traffic comes from all points west of Toronto and goes to all points east of Toronto. Of this 8 per cent. 3.1 per cent., amounting to 346,000 tons, goes to points in Canada. The remainder, 538,000 tons, goes into the New England States. The Grand Trunk brings also to the trunk lines at Buffalo and Suspension Bridge 6½ per cent. of these 11,000,000 tons. This tonnage mainly comes from points in the United States, and reaches the Grand Trunk at Detroit or Port Huron, and passes back into the United States at the Niagara frontier. It, however, includes a small portion of Ontario traffic coming into the United States. From New York City the West Shore, Delaware, Lackawanna and Western, and New York, Lake Erie and Western Railroads deliver to the Grand Trunk about 17 per cent. of the tonnage, and the Grand Trunk receives from the Central Vermont Railroad, via New London, about 3 per cent. of the New York tonnage which reaches the Grand Trunk at St. John; so they get about 17 per cent. at the Niagara frontier and 3 per cent. at St. John of the New York business. The total tonnage from New York City annually amounts to about 1,300,000. In this statement is not included the tonnage from interior points in New York State and Pennsylvania which may reach the Grand Trunk at Buffalo.

From Boston and some other New England points, the tonnage of which amounts to about 380,000 tons per annum, the Grand Trunk receives about 13 per cent. by way of the Central Vermont Railroad and St. John, and about 7.4 per cent. is carried from Boston and New England by the Fitchburg and West Shore to Buffalo and there given to the Grand Trunk, so that they get about 20.4 per cent. of this business, 13 per cent. of which strikes them at St. John and about 7.4 per cent. at the Niagara frontier.

The CHAIRMAN. Are there any differentials on that tonnage?

Mr. FINK. Yes; some of the American lines from New York City connecting with the Grank Trunk at Niagara Falls, and the Central Vermont from Boston and New England, connecting with the Grank Trunk at St. John, have differential rates. The Erie, the New York, Ontario and Western, the Lehigh Valley, the Delaware, Lackawanna and Western, and the West Shore Railroads, have differential rates out of New York as against the New York Central, the Pennsylvania, and the Baltimore and Ohio Railroads.

The CHAIRMAN. Is that differential based on the length of the roads?

Mr. FINK. No, sir; it is based on the general idea that these roads can not get a fair share of the business unless they charge less than the roads which have no differential.

The CHAIRMAN. Is the differential indicated in the published tariff?

Mr. FINK. The published tariffs show the actual rates charged; they do not show the difference in the rates, but they show the actual rates after deducting the allowed differentials from the full tariff.

Senator HISCOCK. Is there an increased differential on the Grand Trunk in addition to what is given the American roads?

Mr. FINK. The differentials on west-bound traffic originating on American roads are not given to the Grand Trunk or with any reference to the Grand Trunk, but are given altogether to the American roads, the Grand Trunk, being a connection of those American roads, only happens to get the benefit of the lower rate.

Senator HISCOCK. And the amount of benefit that the Grand Trunk receives from it depends upon its division of rate with its American connection?

Mr. FINK. Yes, sir; they incidentally get the benefit. So do the American roads connecting with the trunk lines which have differentials. For example, the Nickel Plate, being a connection of the Lackawanna, gets the benefit of the differential rate.

The CHAIRMAN. Can you give us a succinct statement of the amount of differentials on these lines, both east and west?

Mr. FINK. Yes; I can give you the exact figures. I have not them with me, but will furnish them hereafter.

The following is a statement of the differentials now in use subsequently furnished by Mr. Fink:

West-bound differentials.

[Cents per 100 pounds.]

	Classes.					
	1	2	3	4	5	6
From New York:						
New York, Lake Erie and Western; West Shore; Delaware, Lackawanna and Western; Lehigh Valley, and connections, including Grand Trunk Railway	5	4	3	2	1	1
New York, Ontario and Western, and connections, including Grand Trunk Railway	8	6	4	3	2½	2
Chesapeake and Ohio	10	8	6	4	4	3
New London Route, via Central Vermont and Grand Trunk Railway	15	12	9	6	5	4
From Boston, all rail:						
Central Vermont Chesapeake and Ohio	10	8	6	4	4	3
From Boston, rail and lake:						
Central Vermont	10	8	6	4	3	2
Fitchburgh New York and New England	5	4	3	2	1½	1

East-bound differentials.

[Cents per 100 pounds.]

	Classes.						Cotton.	Tobacco.
	1	2	3	4	5	6		
Chesapeake and Ohio	8	6	4	3	2	2	2	2
On dressed beef from Chicago to Boston, via Chicago and Grand Trunk and Grand Trunk Railways	3 cents per 100 pounds.							

AGREEMENTS AS TO RATES.

The CHAIRMAN. Is not the object of the differentials to enable the roads to reach an agreement as to the amount of traffic that each shall secure?

Mr. FINK. The object of making differentials—that is to say, making an agreement for certain roads to charge less rates than others on freight carried between the same points—is to bring about a fair distribution of the traffic between competing roads. Assuming a number of roads to be competing for business between the same points, some of which afford inferior facilities to the shipper, it is evident that if these roads were compelled to charge the same rates as the roads affording better facilities they could not obtain any traffic. They therefore offer an inducement to the shippers by making lower rates to compensate them for accepting an inferior service.

The CHAIRMAN. The continuance of the differential plan results in an agreement as to what the rates shall be, and in effect results in keeping the rates up on all the roads, does it not?

Mr. FINK. Differential rates are agreed upon to prevent wars of rates. If one road makes lower rates than its competitors and secures an undue amount of business the competing roads will necessarily make a similar reduction, and this process might be repeated until the rates became unremunerative. If the rates are fixed by mutual agreement or by arbitration and are adhered to, and if statistics are kept showing

what the business of each road is under a certain adjustment of rates, and it is shown that each road secures a satisfactory share of the traffic, there is no cause for fighting or for wars of rates.

The CHAIRMAN. Have you any knowledge of the Canadian Pacific Railroad?

Mr. FINK. Only a general knowledge.

The CHAIRMAN. Are they making any progress toward coming in competition with the Grand Trunk in the East?

Mr. FINK. They are in competition with the Grand Trunk in Canada and they are coming into competition with the railroads in the United States. They reach Boston and New York, but so far we have not felt their competition to a great extent. I suppose that in the course of time the Canadian Pacific will be a much stronger competitor.

Senator HISCOCK. I would like to ask, Mr. Chairman, whether if these differentials were prohibited would Canada profit by their prohibition?

Mr. FINK. I do not think the prohibition of differentials, which means the enforcement of the same rates for like service on all roads, would have any other effect than to draw business from the weaker roads and give it to the stronger ones, regardless of their location in this country or in Canada. At present there is no law prohibiting any road making as low rates as it pleases, if it otherwise complies with the interstate commerce law. There can be no prohibition of differential rates unless the Government prescribes the rates and makes them alike for like service on all roads, American and Canadian.

The CHAIRMAN. When the Canadian Pacific completes its eastern connections it will be a pretty strong competitor with the Grand Trunk, will it not?

Mr. FINK. With all the trunk lines.

The CHAIRMAN. In doing business in New England and in the West?

Mr. FINK. Yes; with all the lines. They can not help but be a competitor of all the lines, as they are all so closely connected.

The CHAIRMAN. Have they any connection now with your organization?

Mr. FINK. No.

CANADIAN CARS IN THE UNITED STATES.

The CHAIRMAN. What, in your judgment, is the feeling of the railroad companies of the United States in regard to the practice of allowing Canadian cars to pass to and fro over their lines; that is, do you think the railroad companies of the United States would favor the plan of forbidding Canadian cars from coming beyond the national boundary?

Mr. FINK. The roads that now connect with the Grand Trunk and exchange traffic with that road would not favor it; their competitors, however, might. There are so many American roads exchanging traffic with the Grand Trunk that it would affect the business of these roads and their patrons very seriously if the exchange of cars was discontinued.

The CHAIRMAN. What is the practice now as regards American cars and Canadian cars; do they go back and forth interchangeably?

Mr. FINK. Yes, sir; they go back and forth without any hindrance and without being disturbed, so far as I know.

The CHAIRMAN. Are there many Canadian cars in this country?

Mr. FINK. I can not tell you how many there are.

The CHAIRMAN. And when these cars get into the United States what becomes of them?

Mr. FINK. They are treated like the cars of any American connecting railroad.

The CHAIRMAN. Are they taken and used by other companies?

Mr. FINK. Yes, sir; when they come here they load them and send back with freight over the same line. That is the rule and understanding between the railroads.

The CHAIRMAN. So there is really no line between the United States and Canada that is observed in the transportation of cars from one country to the other?

Mr. FINK. Both countries are just like one country, except, I suppose, there are certain custom-house regulations which have to be observed regarding freight passing in and out of Canada.

The CHAIRMAN. Do you know of any law by which a Canadian car can come into this country at all?

Mr. FINK. No, sir. I am not familiar with the law in regard to paying duty on cars that come to this country. I have never had any interest in it, and so far as I know it has not been enforced if there be any such law.

The CHAIRMAN. What do the railroad men of the United States prefer in the matter? What is their wish about it; that their cars shall go into Canada and Canadian cars come here and be used promiscuously?

Mr. FINK. I suppose that they are in favor of continuing the present practice without any obstruction being put in the way of free interchange.

The CHAIRMAN. The roads of which country have the larger number of cars?

Mr. FINK. Of course the American roads have more cars than the Canadian roads.

The CHAIRMAN. Does this country have more cars in Canada than Canada has in this country, or how is that?

Mr. FINK. I can not tell you, but perhaps the Grand Trunk people can; they, no doubt, keep the statistics.

The CHAIRMAN. What is the rate per mile for the use of cars?

Mr. FINK. Three-quarters of a cent a mile for the ordinary freight cars and 1 cent a mile for refrigerator cars.

The CHAIRMAN. I suppose you are in favor of requiring the Canadian roads, if they do business in the United States, to obey the law of the United States, like our own roads?

Mr. FINK. Most certainly.

The CHAIRMAN. What is the feeling of the representative men of these other American trunk lines? I believe you indicated that the Grand Trunk was getting the advantage.

Mr. FINK. Yes, sir; that is the feeling of a great many; especially of the Western direct competitors of the Grand Trunk. Its Chicago competitors maintain that the Grand Trunk gets more of the traffic than it ought to have.

Senator REAGAN. Could they not correct that by reducing the differential?

Mr. FINK. The Grand Trunk has no differential on east-bound business. Pooling, that is, an agreement to restrict each road to a certain amount of business, would be the proper remedy.

Senator REAGAN. You may call it pooling or allowing differentials; but I say by reducing the advantage, can they not correct that?

Mr. FINK. It is very difficult to accomplish it by differentials. Pooling would be a much more direct method.

Senator REAGAN. If the American lines are forbidden to charge a lower rate for a longer than a shorter haul over their routes, then the Canadian lines should be required to do the same thing, should they not? What I mean is this: If we require the American roads to observe what we call the long and short haul provision in the interstate act, there ought to be some means by which the Canadian roads which do that business in the United States should be required to do the same thing as our roads are required to do, should there not?

Mr. FINK. By all means.

Senator HISCOCK. Let me understand you. I do not understand that these differential rates interfere with that in any way.

Mr. FINK. No, sir; they have no connection with the long and short haul requirement.

The CHAIRMAN. We will probably hear from railroad men before we get through with this investigation, that under the operation of the long and short haul provision of the interstate act the Canadian roads get an advantage in some way. I do not know whether we will or not, but am inclined to think we will.

Mr. FINK. They have an advantage only in so far as they need not observe the law in Canada. The Canadian roads can make low rates in competition with the American roads, and need not reduce their local rates under the long and short haul clause, while the low competitive rates on American roads force a reduction in rates on all local traffic.

The CHAIRMAN. Has your attention been directed to the recent large diversion of traffic from the New England States and New York City over the Ontario and Western road to Prescott, Canada, thence over the Canadian Pacific and the Canadian Steam-ship Lines to Vancouver, to China, and Japan? It appears from reports of the Chief of the Bureau of Statistics at Washington that this consists chiefly of cotton goods. Do you know whether the goods from New York and New England are carried through and strike the Canadian Line and then go on the Canadian Pacific, thence to China and Japan, on their line of steamers?

Mr. FINK. I have not seen these reports.

The CHAIRMAN. It is reported that New England goods go over that line very largely.

Mr. FINK. The Ontario and Western does not get a large amount of business from New York via the Canadian Pacific. No doubt that business will increase hereafter. At present the Canadian Pacific competition is not felt in New York. In New England I have not heard any complaints that that road has taken any undue amount of business so far.

The CHAIRMAN. Have you any general knowledge of the business of the Canadian Pacific in its shipments into our markets?

Mr. FINK. I know very little about it. I have no business relations with them.

The CHAIRMAN. Do you think that this amount of traffic that the Grand Trunk road has been getting, according to your statement, would be got by them if they actually observed the interstate act, and simply relied upon the differential that you agreed upon?

THE POLICY OF THE GRAND TRUNK.

Mr. FINK. The Grand Trunk has recently, within the last two or three months, got a large amount of business; but I could not say that it was because of a violation of the interstate law, nor could I tell by what

means they obtained this undue amount. Until recently the amount of business carried by the Grand Trunk after the enactment of the interstate law did not materially differ from that carried before. There are a great many ways in which this recent increase might be accounted for, but I could not speak positively on that subject. So far as my intercourse with the Grand Trunk is concerned, it conforms to our rules and tariffs about as well as other roads do. I believe the Grand Trunk is a little more aggresive (to use a mild term) in securing business and taking every advantage they can. I think they have been more conservative since the interstate law has been in effect. They do not want to be disturbers, and I think they have sense enough to know that if they get too much business the American lines will not stand it. The Grand Trunk will go for all that is within reach, but at the same time they will not do anything that will cause a disruption. That is the policy they pursue, and that is the policy of most roads.

WHAT DIFFERENTIAL RATES ARE.

Senator BLAIR. Will you not explain to me, assuming that I do not understand them, and the sixty or sixty-five million people in this country do not understand any more about them than I do, what you mean by "differential rates"?

Mr. FINK. "Differential rates" is perhaps not a proper expression. What is meant by it is a difference in the rates charged by the different lines between the same competitive points. For example, the regular tariff rate from New York to Chicago is 75 cents on first-class freight. This rate is charged by the New York Central, the Pennsylvania, and the Baltimore and Ohio Railroads. By agreement the rate charged by the Erie, the Lackawanna, the West Shore, the Ontario and Western, and the Lehigh Valley Railroads, on the same class of freight between the same points is 70 cents per hundred pounds. The 70-cent rate is called a differential rate; and the difference between 70 and 75 cents, namely 5 cents, is called a "differential."

Senator BLAIR. As I understand you, the inferior road is permitted to charge the cheaper rate?

Mr. FINK. Yes.

Senator BLAIR. And all the roads agree to that?

Mr. FINK. Yes, sir; all the roads consent to that, or if they do not they may meet the lower rate.

Senator BLAIR. What do you mean by meeting it?

Mr. FINK. By meeting it I mean to make the same lower rate, and then it is likely that the other road will make a further reduction.

Senator BLAIR. That is, the inferior road may drop again?

Mr. FINK. Yes, and then the others may drop again, and that leads to rate wars.

Senator BLAIR. Now, according to this, it is arranged so that the New York Central may charge 75 cents and the Erie may charge 70 cents per hundred pounds on first-class freight from New York to Chicago?

Mr. FINK. Yes.

The CHAIRMAN. And there are different rates on different classes of freight?

Mr. FINK. Yes, sir; as the rate grows less than 75 cents the differentials become less.

Senator BLAIR. Now, these differentials having been agreed upon, each road takes its chance in dealing with the shipper and gets what business it can.

Mr. FINK. Yes, sir. The shipper has the choice of shipping at the higher or the lower rate.

THE PRACTICE OF POOLING.

Senator BLAIR. Explain the former practice, now discontinued, of dividing the business between the roads.

Mr. FINK. Formerly an agreement was made that each road should have a certain amount of the total competitive tonnage—a certain percentage of it.

Senator BLAIR. Suppose the shipper would not send his freight according to that agreement?

Mr. FINK. The shipper had nothing to do with it. If at the end of the month one road had received a greater proportion than agreed upon, it would pay over a certain amount of money equal to the profit on the excess of tonnage it had carried to the roads which had not carried their proportion. The public had nothing to do with this matter.

Senator BLAIR. And that is pooling?

Mr. FINK. That is called pooling, unfortunately.

Senator BLAIR. What should it be called?

Mr. FINK. "Division of traffic" would be the proper term. It is simply an agreement by which each company limits itself to carry a certain amount of competitive traffic. If it carries more than that amount, it agrees to pay over the net earnings which it has made on the excess to the roads which have not secured the agreed share. The object is not to prevent competition, but to prevent the strife between competing railroad companies to secure an indefinite amount of traffic by means of rate-cutting, rebates, and other secret devices.

Senator BLAIR. Has that practice of pooling any tendency to increase the cost of transportation to the public?

Mr. FINK. It has not a tendency to increase the cost of transportation over what is a reasonable compensation to the railroad companies. It has the tendency and the object of preventing unreasonably low rates. It has no more tendency to increase the cost of transportation than the interstate law has, because the interstate law requires the maintenance of the tariffs established by the railroads, and forbids the payment of rebates and other devices which are the source of unjust discrimination. The railroads are now making their tariffs just as they did before the interstate law was passed, which requires that these tariffs shall be strictly maintained. The pool had the same effect; but it was a more direct method of carrying out the object of the law, and I am sorry that we are deprived of it, for it leads to a great many difficulties, of which this Canadian competition is an example. If the Grand Trunk roads were in a pool with the American roads, or if the Canadian roads were, we might do away with this quarreling about getting more or less business.

Senator BLAIR. How can there be competition among these various railroads in the transaction of the business of the country when they agree among themselves what shall be charged for it?

Mr. FINK. The railroads agree among themselves what the tariffs shall be; they take into consideration all the elements of competition, such as water competition, and competition between the different markets; they take into consideration all the conditions of trade and commerce before they establish the tariff. When the tariff is once properly established, then it is in the interest of the railroads and in the interest of the public to have these tariffs strictly maintained. In fact, the in-

terstate law provides that this shall be done. The tariffs of the railroads in this country are subject to limitations. There is no longer any danger that unreasonable rates may be charged. The difficulty now is for the railroads to secure a reasonable remuneration for their services.

The CHAIRMAN. Your idea is that the railroads are forced down to a point below what ought to be charged in the making of these agreements as to prices?

Mr. FINK. There is scarcely an article transported over the railroads of the United States on which the charges for transportation are not limited by competition. The officers charged with making the tariffs have to consider all these conditions.

INCREASE OF TRAFFIC ON THE GRAND TRUNK.

Senator BLAIR. The witness says that he understands there is a great increase in the volume of business going over the Grand Trunk, and tells us there are various ways of accounting for it. I would like to get your idea, Mr. Fink, of how to account for this recent extraordinary increase in their business.

Mr. FINK. I can not account for it. I have no evidence that the Grand Trunk has manipulated the rates, although it is thought by others that they have taken some advantages. They have lately done a larger amount of business than is their usual share.

Senator BLAIR. I thought you had some theory of explanation.

Mr. FINK. There are so many elements that control this matter that it would be very difficult to explain it.

Senator BLAIR. Can you not suggest something? If you do not know, how are we going to find out?

Mr. FINK. I suppose that the Grand Trunk people know best.

At 1.30 o'clock the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

Senator BLAIR. I wanted to get a suggestion, Mr. Fink, from some source, and I thought if went to the highest authority we could get it (if it were to be had anywhere), by way of explanation of this fact that we hear of and see in the newspapers. It seems to be conceded that the Grand Trunk is all at once getting a vast amount of freight that it did not get heretofore. Perhaps you can state the explanations which the officials of these other roads make, or the suggestions which you have heard them advance for losing this traffic, and the reasons or supposed reasons why the Grand Trunk gets it.

Mr. FINK. It would be better to examine some of the representatives of these roads on this subject. The Lake Shore and Michigan Central roads come more directly in contact with the Grand Trunk, and I suppose the officials of those roads would have their theories about it, and I prefer that you ask them in reference to it. It is a matter that I can hardly explain. I only know the fact that they are getting more business than it is claimed they are entitled to. One side claims that they do it by taking some sort of advantage of the interstate act. I have no evidence showing this fact, but the supicion is entertained by the competitors of the Grand Trunk. The Grand Trunk people claim that it is due to their superior facilities. If you will examine the officials of the Western roads that come in direct contact with the Grand Trunk you will find out more with regard to this matter than I can tell you, and I prefer not to express any views on the subject. In the matter of export

business they may have some advantage over the American trunk lines.

Senator BLAIR. In what way?

Mr. FINK. They have special arrangements with steam-ship lines via Portland, which enable them to make lower through rates.

Senator BLAIR. Would you consider an American line of railroad which owns a steam-ship line subject to the interstate law in the making of the rate on the ocean as well as on land?

Mr. FINK. I would consider it in the same position as the Grand Trunk Line.

Senator BLAIR. And you would not consider the ocean part of its rate as subject to the interstate law?

Mr. FINK. I do not see how it is possible.

Senator BLAIR. Then all these roads could entirely evade the operation of the interstate law, so far as foreign traffic is concerned, by making contracts with steam-ship lines, could they not?

Mr. FINK. Yes; they can quote through rates to foreign ports that are not under the control of the interstate law. If a railroad company owns a steam-ship line and makes a through rate, say from Chicago to Liverpool, it can divide that through rate in such a way as to allow for the land carriage to the point of export any fixed sum, say the domestic rate, and take a less rate than the current ocean rate for the ocean carriage. A railroad company owning a steam-ship line can therefore comply with the interstate law and yet get an advantage over its competitors who control no steam-ship line and have to adhere to a fixed rule, making the through rate the sum of the domestic inland rate plus the current ocean rate.

LEGISLATIVE REGULATION.

Senator BLAIR. Do you think that there is any complication or any difficulty existing between the transportation interests of this country and those of Canada which can be reached and regulated by legislation?

Mr. FINK. I do not think that you can regulate anything in Canada by American legislation. It seems to me self-evident that you can not control Canadian transportation by American legislation.

Senator BLAIR. What if the Chicago connection of the Grand Trunk were destroyed unless the Grand Trunk agreed to follow the requirements of the interstate act?

Mr. FINK. You could do that, but it would hurt the American connecting roads of the Grand Trunk as much as it would hurt the Grand Trunk, and it would also be injurious to American shippers.

Senator BLAIR. Suppose that the law should be made so that no traffic should be delivered across the border to the Grank Trunk road unless upon condition of full and faithful compliance with the requirements of the interstate law? That might be done, might it not?

Mr. FINK. You could make such a law, but I do not see how you could enforce it.

Senator BLAIR. Could not the traffic be sent and received without the co-operation of the Grand Trunk?

Mr. FINK. Some of the traffic could be reached without the co-operation of the Grand Trunk, but the American roads now interchanging traffic with the Grand Trunk would also be excluded from it. I think, however, the Grand Trunk would comply with the law. If they were prohibited from doing any business in the United States unless they complied with the law in Canada, they would carry out the law.

Senator BLAIR. As I judge from this map, all communications, with the exception of the Canadian Pacific, which passes by its regular line to the north of the lakes, and all the railroads between the Canadian Pacific line by way of North Bay and along the north of Lake Huron and on the south of Lake Superior to Duluth, and all the Canadian lines between that and Lake Erie, are owned and the entire transportation through Canada is controlled by the Grand Trunk and its branches. Is not that so?

Mr. FINK. No; there are other lines. The Canada Southern road passes through Canada and is leased by an American road.

Senator BLAIR. Is that north of Lake Erie?

Mr. FINK. It passes through Ontario from Detroit to Buffalo.

Senator BLAIR. They are all put down here on this map as the Grand Trunk system.

Mr. FINK. The map which you refer to does not show the other competing lines.

Senator BLAIR. What routes have connection with this Canada Southern line?

Mr. FINK. The Michigan Central has leased it, and it forms part of its line from Chicago to Buffalo.

Senator BLAIR. Does it do business in competition with the Grand Trunk?

Mr. FINK. Yes; if you shut out the Grand Trunk you will have to shut out the Canada Southern.

Senator GORMAN. Would the enforcement of the interstate law—I mean if it were rigidly enforced—on our American roads, and a strict compliance with the interstate law be required on the part of the Canadian roads, correct the difficulties now complained of? But I understand you to say that because of the contracts now existing between our American roads and the Grand Trunk there is no serious interference with the traffic over American roads up to this time?

THE SITUATION AS TO THE GRAND TRUNK.

Mr. FINK. Referring to the Grand Trunk Railroad, that road has been working with the other trunk lines under agreements as to rates, etc. It has observed the agreements as well as other trunk lines. They try to work with us in the establishment and maintenance of tariffs.

Senator GORMAN. That has been brought about by the concessions made by the American roads by giving the Grand Trunk a differential on the west-bound traffic, has it not?

Mr. FINK. Differential rates are used to keep the peace between American as well as between American and Canadian roads. Those differentials were in force many years before there was any organized system of co-operation. They were in force as early as 1870.

Senator GORMAN. So long as you have peace I understand you to say there is no danger of trouble on account of competition between the Grand Trunk and the American roads; but suppose you are at war (which is not at all unlikely with railroads at any time on each side of the line) with the long and short haul clause in force, and they free on the other side to charge what they please, what advantage, if any, have we under that condition of affairs?

Mr. FINK. We would suffer more comparatively than the Grand Trunk.

Senator GORMAN. Would it amount to much?

Mr. FINK. The long and short haul clause requiring the local rates

to conform to the through rates, makes a very serious inroad into the revenues of the companies in case of a rate war, while the Canadian roads could keep up their local rates.

Senator GORMAN. So that you think the safety of our lines depends very largely upon making the Canadian roads conform to the same conditions all the way through, especially as to the Grand Trunk?

Mr. FINK. I do. I think it is altogether a voluntary thing with the Grand Trunk to obey the law or not. It is a matter of policy with them. I think their policy is to obey it. I think they find that this is the wisest and most profitable course; but it is voluntary with them. I do not think we can enforce the law upon them.

Senator GORMAN. Do you think the conditions that might be enforced with respect to the inspection of cars are sufficient to keep the Grand Trunk in line with our roads?

Mr. FINK. I think the expectation that you may take that course is a strong element in their trying to obey the law.

Senator GORMAN. Is not that the only hold you have upon them?

Mr. FINK. No; I think they have always shown a disposition to co-operate under the general principles on which the trunk lines co-operate. They have always been a party to that agreement. I think they understand it, and feel that that is the only way they can manage their property properly. They are very much opposed to war and low rates. Their existence depends on getting something for the work they do. They can not afford to go to war.

Senator GORMAN. So you do not apprehend any trouble with the Grand Trunk?

Mr. FINK. No, sir; no more than with American roads.

THE SITUATION AS TO THE CANADIAN PACIFIC.

Senator GORMAN. Now we come to the other road, the Canadian Pacific, which begins at Puget Sound and runs through Canada and reaches Halifax without coming through any part of our territory. The statement is made that it is a road which is practically built up by public money—a subsidized road—and statements have been published that they are already taking through freight from Cheyenne and elsewhere and delivering it at Liverpool at a rate with which our roads can not compete. Can you tell us something about that?

Mr. FINK. I can only speak in a general way of the Canadian Pacific. So far it has not been felt seriously, but it has the power of disturbing the whole American system, and in a measure reducing the profit and the income of the American railroad system. It can do a great deal of harm, but I cannot say whether it will do it or not. There is less restraint upon the Canadian Pacific than upon the Grand Trunk. They are almost altogether in Canadian territory and have a long line tapping the American railroads at many points, and can be an element of great disturbance in American railroad operations. They have perhaps not the same reason to be conservative as the Grand Trunk. The Canadian Pacific was created by the Canadian Government, in a great measure, and they can better afford to fight than can the Grand Trunk. I do not say that that would be their policy, but we have less control over them by agreements than we have over the Grand Trunk.

Senator GORMAN. Assuming that the statements are true to which your attention has been called, that they have a line of steam-ships subsidized coming to Canadian territory at Halifax in connection with the rail line, and, as I understand, a trip of two days less time is made by this rail and steam-ship line between Liverpool and Japan or China than

by any other rail-and-water route, and they are without any restrictions whatever, such as are imposed upon our railroads, with those conditions in view, if they are left free to act as they please, would it not be equivalent to a monopolization of the entire through traffic?

Mr. FINK. I think it would have that effect. I can illustrate it by a single fact. We have heretofore made very low rates on tea from China and the Eastern countries—import rates—in competition with the Suez Canal, bringing the freight by way of San Francisco. If the American roads carry out the interstate law, or carry out the orders of the Interstate Commerce Commission, which require that all import business must pay the same rate as the local rate from the port of import, the Asiatic traffic in competition with the Suez Canal is ruled out and goes to the Canadian Pacific, and that is why I remarked some time ago that the Commission ought to have discretion to vary the cast-iron rule so as to allow the railroads to adapt themselves to the various conditions of competition that may exist.

To illustrate: Under the law the American roads, particularly the Pacific routes, would be shut out of the whole Asiatic business, and it would be concentrated on the Canadian Pacific roads, with the facilities and subsidies they have in establishing a through route between China and Japan and Liverpool. We are not left free—and I believe I made this argument before the Congressional committee when it first had the present law under consideration—we are not left free to compete with these roads. If we enforce the strict letter of the law we are at a disadvantage with the Canadian roads, except in so far as they are willing and find it to their interest to voluntarily submit to the restrictions put upon us.

Senator GORMAN. You mean by that, I suppose, that they would act in harmony with the American roads?

Mr. FINK. That they would restrict themselves in not taking advantage of their position, which they could do under the interstate law, to secure privileges that the American roads could not secure.

Senator GORMAN. In other words, they require you to give them freight that ordinarily and naturally would go over the American roads?

Mr. FINK. I could not say that. They would not ask anything more than was legitimate, I should think. Understand they have to work with the American roads in order to secure remunerative rates for themselves. They find that to be to their interest. Any advantage they take will naturally be resented and followed by a rate war.

Senator GORMAN. That does not apply with the same force to the Canadian Pacific as it does to the Grand Trunk, does it?

Mr. FINK. Yes, sir; it applies to both, but at present, perhaps, more to the Grand Trunk. The Grand Trunk knows that it needs the co-operation of the American roads to get business at remunerative rates, and has to co-operate with them no matter whether there is or is not an interstate law.

Senator GORMAN. So that in your opinion, as I understand you, it is absolutely necessary that by some negotiation or otherwise these Canadian roads should come under the same restrictions that are placed upon our own roads, or else our iron rule is to be relaxed and the rules left free to meet these complications?

Mr. FINK. Yes, sir.

THE CANADIAN WATER-WAYS.

Senator GORMAN. The other branch of this resolution refers to the competition by water. How sharp and what effect has the competition

by water at various points, by lake and by canal, with the American roads?

Mr. FINK. You mean the Canadian system of water-ways?

Senator GORMAN. Yes.

Mr. FINK. I am not posted as to that, except in a general way. I can not tell you the effect of it, as I have not the statistics of the tonnage. I think you will have to get your information on that subject from some other source.

Senator GORMAN. Then, that is a matter that does not come under your supervision?

Mr. FINK. No, sir.

Senator GORMAN. In fixing your rates on grain on through shipments from Chicago to Liverpool, by rail from Chicago to the port of export, are you not necessarily during seven months of the year governed by the rates fixed by the Canadian water routes and the Erie Canal?

Mr. FINK. Yes, sir.

Senator GORMAN. How has it affected you in the last two years? Have you found that in their discrimination the charges have been so as to seriously affect the American transportation lines?

Mr. FINK. From my own observation, the Canadian competition has not been felt. We feel more directly the competition of the Erie Canal. I do not think the Canadian canals have accomplished what they were expected to when built. The traffic can not well be diverted from the old routes. At least, it will take some time before that can be accomplished. I do not think there has been a new phase of things since the completion of the Welland Canal.

Senator GORMAN. Then, to sum it up, I understand your suggestion is that as a remedy for these difficulties we should give the Interstate Commerce Commission power to permit the railroads to meet any extraordinary competition on the part of the Canadian lines that may come hereafter.

Mr. FINK. That would be one of the relief measures.

Senator GORMAN. Is that the only one you can suggest?

Mr. FINK. I think it would improve the situation if you were to strike out the fifth section of the act, and let us make arrangements with those Pacific roads to keep the peace.

Senator GORMAN. Permit you to pool?

Mr. FINK. Yes. Pooling is a remedy for a great many of the difficulties and contentions which arise between the railroads. If we can agree with the Canadian roads so that they will only have a certain percentage of business, then all this talk of the Canadian roads getting an undue proportion of the business would not exist.

CANADIAN COMPETITION.

Senator GORMAN. Suppose nothing is done and the law is allowed to stand as it is to-day, do you view the future with any alarm, as far as the American roads are concerned? I am taking into consideration all the Canadian roads.

Mr. FINK. I can not tell what would be the effect of Canadian competition if it were fully developed. The redeeming feature is that the Canadian roads have to co-operate in the establishment of competitive tariffs with the American roads, as a matter of self-interest. However, the situation is greatly complicated, and we may have to pass through some rate wars before we reach a permanent agreement.

Senator GORMAN. Then you have no very serious apprehensions of trouble or disaster to us?

Mr. FINK. No; I think the Canadian railroads will co-operate with us on reasonable terms from motives of self-interest.

The CHAIRMAN. You talk about the Grand Trunk having an advantage over our roads in foreign transportation, in the making of through rates to Liverpool. Does not some of the advantage that they get in that respect result from subsidized lines of steam ships?

Mr. FINK. The steamers which run to Portland in connection with the Grand Trunk are not now subsidized, so far as I know.

The CHAIRMAN. They are on the other side—those running to China and Japan.

Mr. FINK. Yes; those that run in connection with the Canadian Pacific are subsidized.

Senator REAGAN. Did I understand you to say that we had no remedy that you know of for the Canadian roads obtaining traffic by making lower rates than our roads make, except their voluntary action in the matter of acting in harmony with our railroads?

Mr. FINK. I said they could observe the interstate law if they chose to, but that we could not enforce it if they did not choose to act under it.

Senator REAGAN. Are you aware of the provision of our law authorizing the withholding of freights from roads where they come into our territory and refuse to comply with the terms of our law?

Mr. FINK. I take it for granted you can control them by stopping the traffic; but without taking those extreme measures you have no remedy, and those extreme measures would hurt American interests as much as Canadian.

Senator REAGAN. From the lakes east to New York, Philadelphia, and Baltimore we have shorter lines on the southern border of our lakes than the lines running through Canada, have we not?

Mr. FINK. The American lines to those cities are shorter.

Senator REAGAN. And our railroads run through a much more prosperous country where more business is to be had, do they not?

Mr. FINK. Yes, they do

Senator REAGAN. Taking all the commerce passing through the Canadian routes to China and Japan, and our roads being placed at a disadvantage by the subsidized steam-ship lines on the Pacific, and taking into consideration the supposed shorter time between Liverpool, for instance, and the Asiatic country, on the part of the Canadian routes, is the advantage on their part as great as is popularly supposed? Is it a fact that they can make that trip from Liverpool to Hong-Kong in two days' less time, or in any less time, than by coming by way of New York?

Mr. FINK. I could not tell you. I have not examined into that matter sufficiently to give an opinion. They have a shorter ocean route.

Senator REAGAN. Is there anything that would contribute to equalize matters as between the Canadian and the American roads? Would not this seeming advantage be somewhat nullified by the fact that an absence of business along the line of the Canadian roads almost all the way from Montreal west to the Pacific coast—I refer to the Canadian Pacific—would not the fact of its not possessing way business to help to sustain the road be an element in favor of our roads securing the carrying business across the continent?

Mr. FINK. No, sir; I think not. The less local business they have the stronger they will fight for through business.

Senator REAGAN. If they do not have a local business to sustain them, would they not have to put up the price on the through traffic to sustain them?

Mr. FINK. No. The question of cost has very little to do with the competition between roads.

Senator REAGAN. I speak of running a road without the ordinary profits. They must have their profits from somewhere, and if they can not get them from the local business they must be maintained by the through business.

Mr. FINK. They may not get them from either.

Senator REAGAN. Then the road is not a success?

Mr. FINK. The road still runs after it has gone into bankruptcy. That is the worst feature of railroad competition—a railroad runs all the time, and the poorer it is the stronger competitor it may be.

Senator REAGAN. Of course, if they obtain money outside to sustain them they might keep running their road.

The CHAIRMAN. Suppose they do not make money enough to pay running expenses, how then?

Mr. FINK. That is hardly possible; they generally make enough money to pay expenses.

Senator REAGAN. Is it not the truth that a populous and wealthy country running to the west of the Mississippi River and furnishing profit by its freight and passenger business through to California, will enable roads traversing that country to do business cheaper than the Canadian Pacific?

Mr. FINK. The cost has very little to do with competitive rates. The freight is taken at the rates which competition makes necessary.

Senator REAGAN. How is it that the Pennsylvania Railroad carries freight so much less than the Western roads which do not do one-tenth of the business the Pennsylvania road does?

Mr. FINK. The Pennsylvania Road can operate cheaper than the Western roads because it has a larger business; but that does not influence the competitive rates over that road. These rates are determined by competition and the necesities of the trade.

Senator HARRIS. Then the rates are made according to the competition and not according to the cost of the plant and the operating?

Mr. FINK. Practically. There is very little attention paid to the cost. It is a question of competition. Of course the cost has some bearing upon it. Certainly the roads do not want to carry anything below cost, and they try not to do so, except in a rate war, when they often take business below cost.

Senator REAGAN. Can you tell to what extent the transportation over the Canadian Pacific is obstructed by the snows of winter, etc.?

Mr. FINK. They claim they have an open country; but this question has nothing to do with the matter of competition.

Senator HISCOCK. As far as the Asiatic trade is concerned, the Canadian Pacific is going to be operated and will take that Asiatic trade whether there is any money made out of it or not. Is not that the fact?

Mr. FINK. Yes, and perhaps they make money out of it. We take it ourselves at a very low rate.

Senator REAGAN. Have you any map which shows how the Canadian roads cross our border and connect with our roads?

Mr. FINK. We have a general map, but it does not show anything more than these folding maps you have before you. We have an atlas.

Senator REAGAN. You spoke of the Baltimore and Ohio getting some of this traffic from the Canadian roads. The Baltimore and Ohio has no connection with the Grand Trunk, has it?

Mr. FINK. It has not; but it has connection with Chicago. They have a line under their control from Baltimore to Chicago.

Senator REAGAN. You spoke of our trunk roads making an agreement with the Grand Trunk road as to rates.

Mr. FINK. Yes.

AGREEMENTS AS TO RATES.

Senator REAGAN. I do not understand exactly the extent and character of the agreement that you refer to as now existing. Will you please state it?

Mr. FINK. The agreement is that the tariffs of all roads whose tariffs are interdependent shall be established by mutual agreement, and this is done through the association to which the Grand Trunk Railway Company belongs. No changes are to be made in the established tariffs unless they are first submitted to all the competing railroads whose tariffs are affected by such changes.

It is necessary that this should be done in order that the tariffs shall be kept in line and that there shall be no discrimination between the different localities. Thus if the Grand Trunk were to change its tariff between Boston and Chicago it would necesitate a re-adjustment of the tariffs all over the country, to St. Louis, Cincinnati, Indianapolis, and nearly all intermediate points. The agreement therefore is that the roads in the association shall give previous notice to each other of any proposed change; a vote is taken, and if that is not unanimous the question may be submitted to arbitration; but the right is reserved to each member of the association to make as low a tariff as it sees fit. The rules only provide that previous notice shall be given so that all the other companies, of which there are about fifty or sixty in the territory of the joint committee, can adjust their tariffs accordingly and give the benefit of the lower tariffs to the localities served by them. The same procedure is followed in agreeing upon or changing the classification. If there were no organizations to attend to this adjustment of tariffs there could be no uniformity, and there would be nothing but chaos and unjust discrimination between localities and shippers. In fact, the intent and spirit of the interstate commerce law could not be carried out without the co-operation of the railroads in the manner described.

Senator REAGAN. How do they enforce an agreement among themselves?

Mr. FINK. We can not enforce it except by mutual consent.

Senator REAGAN. Have they no arrangement for apportioning the amount of freight to each road?

Mr. FINK. Not now.

Senator REAGAN. And no arrangement for refunding money where a road gets over its share of the business?

Mr. FINK. Not since you stopped it on the first of April, 1887.

Senator BLAIR. You remember the date?

Mr. FINK. I remember the date.

Senator REAGAN. The roads that you represent furnish their freight rates to the Commission; do they?

Mr. FINK. Yes; they are filed with the Commission.

THE PROHIBITION OF POOLING.

Senator HISCOCK. So far as regulating the freight rates are concerned, this arrangement of yours in agreeing upon them is precisely as effectual as the pooling?

Mr. FINK. That is independent of pooling. An agreement for making tariffs, of course, precedes the pooling, and is entirely independent of it. The object of pooling is to maintain the tariffs so agreed upon, by removing the motive for rate-cutting, rebates, etc.

Senator HISCOCK. That I understand; but is not the fixing of through rates precisely as effectual under your present procedure as it was under the pooling arrangement?

Mr. FINK. Yes; and after we fix the rates and file them with the Commission, the interstate law provides that they shall be maintained. Before the interstate law was enacted we called in the aid of the pool to sustain the rates.

Senator HISCOCK. What I want to get at is this: Pooling was prohibited, as I understand it, merely because it was supposed that it was a means of manipulating the rates and of charging unreasonably high rates.

Mr. FINK. That was the public notion.

Senator HISCOCK. Now, so far as the maintenance of rates is concerned, the rates are maintained as effectually as they ever were, are they not?

Mr. FINK. At the present time I think they are.

Senator HISCOCK. So far as the vice is concerned—if it is a vice—of pooling, and which it is aimed to prevent by prohibiting pooling, does it not exist as much to-day as it did before the act was passed?

Mr. FINK. If it is a vice to maintain the tariffs established by the railroads and filed with the Commission, then, of course, the interstate commerce law is as great a vice as pooling.

Senator HISCOCK. And with this further disadvantage, that you are not able, without pooling, to make these arrangements with reference to the divisions of traffic, etc., between the different railroads or the share each one should carry?

Mr. FINK. The evil effect of preventing pooling is that it leads to rate wars between competing companies, and rate wars lead to unjust discrimination, and thus the effect of this provision of the law is to make it more difficult to carry out its intent and spirit.

Senator HISCOCK. And the evils that were supposed to be corrected by prohibiting pooling exist as much as ever, and the roads are shut off from doing things that would have the effect of remedying existing evils all over the country?

Mr. FINK. Yes, sir.

THE SHORT-HAUL CLAUSE.

Senator BLAIR. Is not this true, that since the enactment of the interstate law, you are not at liberty to arrange rates and fix tariffs as you formerly did? That is to say, instead of diminishing the longer rate at the expense of the shorter rate, you are now obliged to favor the local traffic at the expense of, or an increased charge to, the longer traffic; so that the interstate law modifies your action in that regard in making your tariffs, does it not?

Mr. FINK. That is different on different systems of roads. In the trunk-line system we do not feel it, because we always followed the long and short haul principle. The business is so large that whenever the through rates are reasonably remunerative, the local rates can be fixed on that basis. The transcontinental lines and the Southern lines are not in that position.

Senator BLAIR. That is, they have not the volume of local traffic?

Mr. FINK. No, sir; and they have to charge higher rates on local

than on through business. They have to meet the competition with water routes.

Senator REAGAN. I believe you spoke of the provisions of the interstate-commerce law being one of the preventives of our transcontinental roads competing on equal terms with the Canadian Pacific?

Mr. FINK. Yes, sir.

Senator REAGAN. Are you aware that the Commission holds that under that law they have a right to consider, and do consider, the circumstances and conditions, and that if the circumstances and conditions are such as to justify it the transcontinental roads may disregard the long and short haul clause; otherwise, not?

Mr. FINK. Yes; to some extent the Commission recognizes that in case of water competition the long and short haul clause may be disregarded. When I referred to the Asiatic traffic I had in mind the ruling of the Commission that upon import traffic the rates charged from point of import to the interior points should be the same as upon domestic traffic. Under this ruling the importation and carriage of Asiatic traffic in competition with the Canadian roads would be impossible, the Canadian roads not being restricted by said ruling.

Senator REAGAN. You mean that they must not discriminate in favor of the Asiatic trade, but put it on the general basis.

Mr. FINK. Yes.

Senator REAGAN. But still you recognize that they do hold that the long and short haul principle does not apply to traffic passing across the continent?

Mr. FINK. That is true, but the ruling to which I referred as excluding the Asiatic traffic has nothing to do with the long and short haul provision. It was made in carrying out the provision of the law that there shall be no unjust discrimination between shippers—in this case, between import and domestic traffic.

Senator REAGAN. All I desire to call attention to is the fact that the Interstate Commerce Commission has already adopted a principle that relieves our roads when in a situation similar to this competition by the Canadian Pacific.

Mr. FINK. To some extent; but so far the Commission have confined themselves to the recognition of competition by water as a proper cause for exemption from the long and short haul clause, but they have not recognized competition by rail. They ought to recognize all competition, whether by water or by rail, or from any other source.

Senator REAGAN. Is not that a recognition of competition by rail when they say, as they do, that they would not regard the long and short haul clause as binding upon a road as to commerce passing between the Atlantic and Pacific Oceans? If they do that, then that modifies the idea that the railroads can not compete because of the interstate law.

Mr. FINK. Yes; the long and short haul provision, as interpreted by the Commission, does not exclude Asiatic traffic across the continent; but the ruling of the Commission that the railroads shall not charge less for the inland carriage of import business from the port of import to destination than is charged on domestic business would prevent the American transcontinental lines from carrying Asiatic traffic in competition with the Canadian lines.

THE TRUNK-LINE AGREEMENTS.

The CHAIRMAN. You spoke of an agreement between the Grand Trunk and these other trunk lines. Are all the agreements that were proposed to be made signed by the Grand Trunk, do you know?

Mr. FINK. Yes, sir; they signed the articles of association, which are in the nature of a constitution. We pass a great many statute laws, but we have a constitution under which we operate.

The CHAIRMAN. Have you in your possession all the agreements made between the Grand Trunk and the several other trunk lines?

Mr. FINK. Yes, sir; but they are scattered through twenty volumes.

The CHAIRMAN. I refer to agreements made within the last two years.

Mr. FINK. They are all printed; every agreement made between trunk lines is published and printed and at your service; it is not, however, very interesting reading.

The CHAIRMAN. Were the agreements signed promptly by the different roads?

Mr. FINK. Yes; the Grand Trunk signed promptly.

The CHAIRMAN. Before the other roads signed?

Mr. FINK. In their turn.

The CHAIRMAN. Did they do it at the same time that the other roads did, or did they hesitate and delay the signing?

Mr. FINK. We sent the agreement first to one road and then to another for signature; and the Grand Trunk signed in its turn.

Mr. KING. What the Senator wants to get at is whether when the agreement was first made, the Grand Trunk came in and signed the contract.

Mr. FINK. What agreement?

Mr. KING. Say, two years ago.

Mr. FINK. They did not sign that agreement at all; I had reference to the last agreement.

REASONS FOR GIVING DIFFERENTIALS.

Senator BLAIR. Have not these Canadian roads natural advantages so that they can afford to carry freight cheaper than the American roads?

Mr. FINK. No, sir; I think not; they have to struggle for existence; I do not think they can work any cheaper than the Erie Road or the New York Central.

Senator BLAIR. Then why do they want these differential rates?

Mr. FINK. In order to get business.

Senator BLAIR. And the differential indicates that they are under disadvantages.

Mr. FINK. It indicates that they have not as good a line as some other companies.

Senator BLAIR. And they have to take less rates in order to get the business?

Mr. FINK. Yes, sir; on some kinds of traffic.

Senator BLAIR. Is that owing to the nature of the country? That is to say, is it owing to the grades and climatic conditions that affect transportation, or is it owing to the fact that the country through which the road passes is as yet undeveloped? If that country were developed, would they not do this business cheaper than we, because their grades are less and the distance shorter?

Mr. FINK. None of these conditions have anything to do with differential rates. They are given to certain roads simply to induce shippers to ship by them, which they would not do if they made higher charges. A shipper decides by what road he will ship, taking into account the difference in the rates and the advantages each road possesses in doing the work. The question of grades, climatic conditions, and the cost of

the service as affected by the nature of the country has nothing to do with this matter. It is simply a commercial question.

Senator BLAIR. They offer transportation as people offer a commodity, and the shipper buys at the lowest rate, and the man who can do the transportation at the cheapest rate can sell the commodity at the cheapest price, can he not?

Mr. FINK. That is not exactly the case. The road which is the most expensive to operate may have to charge less than one which is more cheaply operated, because it could not otherwise secure any customers.

HOW TRANSPORTATION RATES ARE DETERMINED.

Senator BLAIR. Why should not railway transportation men sell transportation just as other men sell wheat and corn?

Mr. FINK. That can not be done so. In selling wheat, corn, and other articles of commerce there is no such law as that governing transportation, requiring that the rates shall be reasonable and just; that there shall be no discrimination between the purchasers of transportation; that there shall be no discrimination between localities; that the rates and fares shall be adjusted thoughout the country in such a manner that no more shall be charged for a short haul than for a long haul, and hundreds of other conditions which are imposed upon the parties selling railroad transportation which are not imposed upon parties selling wheat, corn, or other merchandise. The conditions which I have named as affecting the transportation business render it necessary that fixed tariffs should be established by a great many independent railroad companies so that the tariffs of one will not unjustly discriminate against the tariffs of another. For this reason the roads are obliged to come together and establish their tariffs as a unit, and not by piecemeal. If the other plan were adopted, to sell railroad transportation the same as corn or wheat, there would be no reasonable and just tariffs. There would be nothing but chaos and war between the railroad companies.

Senator BLAIR. That is because there are more railroads than there ought to be.

Mr. FINK. It is because there are so many roads competing with each other for the same business. If they were all united as one company it would be a comparatively easy matter to establish a tariff; but now it requires the agreement of a large number of railroad companies having conflicting interests and different localities to serve, to make a tariff that will be just to the public and not discriminate against any locality. This is forbidden by the interstate law. There being so many railroad companies, all independent of each other, if each were to make its own tariff favoring its own locality without regard to the interests of other localities, there would be nothing but confusion. These different roads have to come together and establish their tariffs on the principle that there shall be no unjust discrimination between localities. This is a very difficult problem, as I have said before; and it is this which makes it necessary for competing roads to associate themselves for the purpose of agreeing upon reasonable and proper tariffs. Without that the interstate law could not be carried out.

Senator BLAIR. Is not that an argument in favor of a consolidation of transportation interests under the management of the State or some great central power?

Mr. FINK. Yes, sir; that is an argument in favor of the consolidation of interests, or State management; but as the latter is not practicable

in this country, we try to approximate to the ideal plan by forming associations consisting of a large number of roads working together as one road in the establishment of tariffs.

Senator BLAIR. And the only power exercised by these associations is to regulate the rates of freight.

Mr. FINK. They agree upon the rates of freight.

Senator BLAIR. And when the Government does that it can do justice by all the people, or do you think it is the better way to put it altogether in the hands of the railroad managers?

Mr. FINK. I think it has to be done by the parties in interest and who understand the business.

Senator BLAIR. The managers generally think so, do they not?

Mr. FINK. I think they would all be glad to be relieved of that work if the Government would take the responsibility of paying the interest on bonds and dividends on stock.

Senator BLAIR. In other words, the business has got to be so done as to maintain all the roads that exist and all that may be built; is that the idea?

Mr. FINK. There are a great many that can not be kept out of the hands of receivers.

Senator BLAIR. By this arrangement that has been referred to a differential is given to the weaker roads to enable them to do business and to live as well as the more powerful roads. You have a system that practically abolishes the question of competition, have you not?

Mr. FINK. The differential rates may help the weaker roads to do some business, but whether they can live or not is another question.

Senator BLAIR. They probably could not do business if they were dead, could they?

Mr. FINK. Yes, sir; the trouble is that some of them do business when they are dead.

Senator BLAIR. Then they ought to be dead.

Mr. FINK. Yes.

EFFECT OF THE PROHIBITION OF POOLING.

Senator HISCOCK. You have had two years' experience under a prohibition of pooling. In the light of that experience, I want you to state in detail the reasons why in your judgment it has been burdensome or injurious to the railroads and the commerce of the country. I want you to do it fully, and, as I say, in the light of the experience you have had, state if there are any reasons why, in your judgment, that prohibition has been a burden upon the railroads and a burden upon commerce.

The CHAIRMAN. Do you refer to the pooling clause of the act?

Senator HISCOCK. Yes; I wish Mr. Fink would state fully and with argument, if he pleases, any change desirable. If he is of opinion, in the light of his experience, that the pool should be legalized he should state it and state it carefully; and I will say further that if Mr. Fink is unable to state to-day for lack of preparation his ideas upon the subjects I have outlined he may hereafter put in the record anything that occurs to him in this line.

Mr. FINK. I will do so. I can only make a general statement. I can not put the matter before you off-hand as well as I would like.

What is called pooling in this country seems to be entirely misunderstood by a great many people. It is a method of railway management practiced in all other countries, even where railroads are owned by the Government. It has been found the most practicable method of dealing

with a great many questions that arise between the railroad companies themselves. The public is not concerned in it. It does not affect the public injuriously; on the contrary, it is to its advantage. It helps to maintain steady, secure, and equitable rates for equal service, avoids unjust discrimination, and in fact its object and practical effect is the same as is sought to be accomplished by the interstate commerce law. The interstate commerce law itself might be called a pool, in that it requires the railroads to maintain their tariffs the same as a pool would. The railroads are at liberty to establish their tariffs now, the same as they were before the interstate law was enacted. The United States Government under the law now undertakes to enforce these tariffs. The law provides for penalties in case tariffs are violated. The pool adopts a wiser method, and tries to do away with the motive for violating the law. The main motive for violating the tariffs on the part of competing railroad companies is to secure a larger share of the traffic. Pooling is a private arrangement between the railroad companies which guaranties to each competing railroad company that it will secure a fair share of the traffic, removing the motive for using illegal means to secure it, the tariff being reasonable and just, as provided by the interstate law, and, before that law was passed, by the common law, the public had no interest whatever in knowing whether this or that company carried a few tons more or less of the traffic; but it is a question of the most vital importance to the competing railroad companies, and the failure to settle it peacefully between themselves leads to all the evils of railroad management which the interstate commerce law was enacted to prevent. Therefore, any measure which prevents this friction between competing railroads—always bearing in mind that the tariffs are reasonable and just—is one which will aid in carrying out the intent and spirit of the interstate law, and it was a great mistake to prohibit pooling when it was the best means of enforcing the law.

Senator HISCOCK. Let me state the proposition and see if I understand it. You claim that under the law, so far as the rates are concerned, with an agreement as to rates by competing lines existing, and that will exist, that the rates are controlled just as completely and as effectually at this time as they were before, when pooling was permitted. That is to say, the prohibition of pooling has not interfered with that matter.

Mr. FINK. It has made it absolutely necessary.

Senator HISCOCK. Now, if I understand you, you say that if pooling were permitted which gave to each route its proportion of the traffic, and provided for a settlement of balances in cash, if either exceeded the amount of tonnage allotted to it, the power to prevent all these numerous artifices and frauds now being resorted to by rival railroad organizations to get freight would be taken away, and that when you had the right to pool there was then no inducement for this cheating.

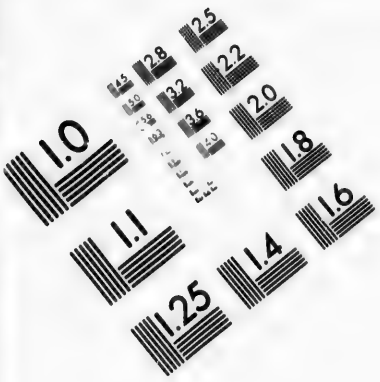
Mr. FINK. No motive for it.

Senator HISCOCK. And for this cheating, and for these deceptive practices, the result of which is practical discrimination between one shipper and another and one locality and another, there would be no inducement if pooling were allowed.

Mr. FINK. No, sir.

Senator HISCOCK. And if you could have the right to pool now there would be no necessity for any criminal law as against those frauds and cheats, because there would be no inducement to engage in them. Is not that your argument?

Mr. FINK. There would be no inducement.



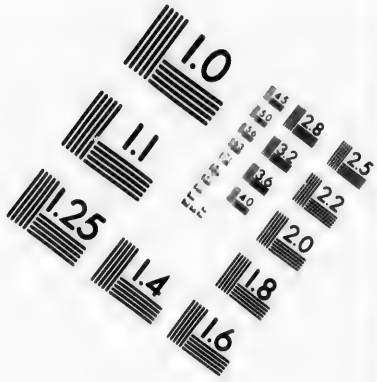
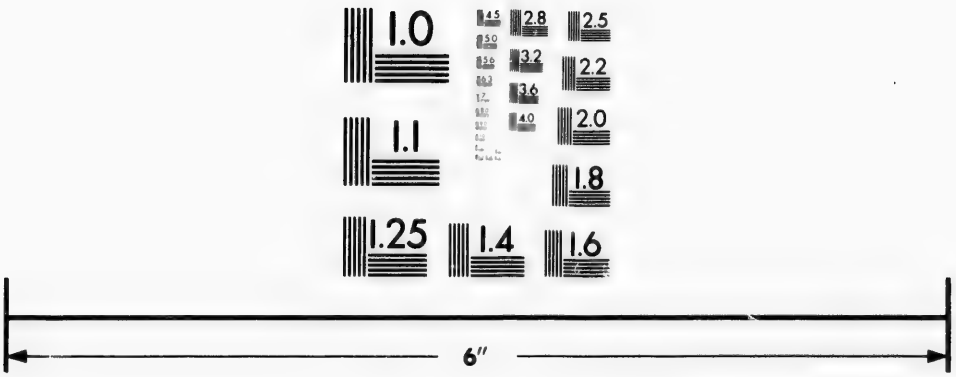
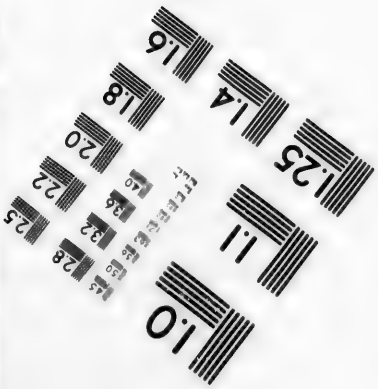
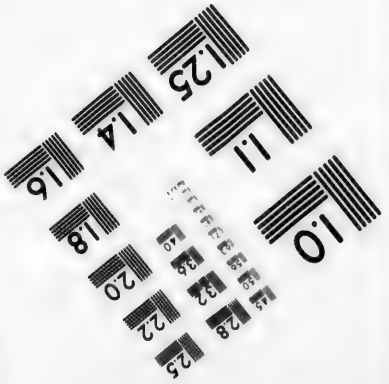


IMAGE EVALUATION
TEST TARGET (MT-3)







Photographic
Sciences
Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

Senator HISCOCK. And you say further, give the Interstate Commerce Commission control over the rate schedules and there could be no disadvantage to the public by allowing the formation of a pool.

Mr. FINK. There could be none. I think the pool is the best method that could be adopted to prevent these illegal practices, but I would not object to the law remaining as it is.

Senater HISCOCK. Of course you do not object to the penalty sections, but you think if pooling were allowed that the inducement to follow these practices would be removed.

Mr. FINK. Yes, sir.

The CHAIRMAN. You were the chairman of the pool commission that was in existence before the passage of the interstate act, were you not?

Mr. FINK. I am an officer of the Trunk Line Association; I have explained the object of that association to you. Its object was not pooling, but the establishment of tariffs, and pooling was merely incidental to maintain them.

The CHAIRMAN. Were there instances of the violation of these pooling contracts between these various corporations?

Mr. FINK. Plenty.

The CHAIRMAN. Had you any method by which you could enforce such contracts?

Mr. FINK. I am sorry to say no. That is just what we needed.

The CHAIRMAN. And did you enforce them?

Mr. FINK. In a great measure; yes, by voluntary agreement and moral suasion.

The CHAIRMAN. As far as it was possible to enforce it, you did so, but you had no method by which you could compel obedience to it?

Mr. FINK. No, sir; that is the missing link in our organization.

The CHAIRMAN. The pool fixed the rates?

Mr. FINK. The association fixed the rates, and the pool came in afterward to maintain the rates and to prevent the violation of the tariffs agreed upon.

The CHAIRMAN. Was it not one of the purposes of the pool to have rates fixed, or to fix rates and to maintain them?

Mr. FINK. To maintain them was one of the purposes. The pool was applied to only a small portion of the business. The pooled traffic did not amount to 20 per cent. of the total business. The remaining traffic was not pooled.

The CHAIRMAN. As I understand you, at that time, as now, the common carriers fixed the rates for themselves?

Mr. FINK. Yes, sir.

The CHAIRMAN. Without knowledge of what the rates were by competing lines?

Mr. FINK. The competing lines came together and fixed the tariff.

The CHAIRMAN. Did I misunderstand your statement in the early part of your examination, when I understood you to say that the trunk lines, in respect to which you hold some connection at this time, confer with each other and fix rates, differentials, etc., by agreement and understanding with each other?

Mr. FINK. They establish their tariffs by agreement at this time, as before the law was enacted.

The CHAIRMAN. In what does that method of fixing rates differ from the method of fixing rates prior to the passage of the interstate act?

Mr. FINK. There is no difference at all.

The CHAIRMAN. So I thought. Then, under the interstate act, the rates so fixed are legal, and the law imposes penalties for violations?

Mr. FINK. Yes.

The CHAIRMAN. Does not that give you a better opportunity to maintain those rates and to enforce the rates as fixed than you had under your pooling contract?

Mr. FINK. It helps us a great deal.

The CHAIRMAN. Does it not aid you in maintaining the rates?

Mr. FINK. Yes, sir.

The CHAIRMAN. And are you not more able to maintain the rates under the existing interstate law than you were under a pool or association or contract?

Mr. FINK. Yes; but while it aids us in some respects, the prohibition of pooling makes it more difficult in others. The maintenance of rates in itself is well enough, but there is another element, and a very important one, namely, that the rates established should not only be satisfactory to the public, but that under rates fixedly maintained the various railroad companies competing with each other should each take a fair share of the traffic. Suppose certain established rates were absolutely maintained under the interstate law, and one or another company should receive no business. That would be an inducement for that company not to maintain rates and to resort to all kinds of devices to secure a share of the traffic. This would very likely lead to a war of rates, instability of rates, and to all the many other difficulties resulting from rate wars which are now so well understood that it is not necessary for me to detail them here. If in connection with the interstate law enforcing rates there could be some agreement between the railroad companies to secure to each a fair share of the business, as would be possible under a pooling arrangement, it would, as I said before, remove all motive for violation of the law and would help the railroads in sustaining the law. As a matter of fact, the prohibition of pooling has increased the difficulty of maintaining tariffs, and one of the reasons is that the railroads can not arrange among themselves an equitable division of traffic which would remove many of the difficulties they now have to contend with in maintaining equitable and just tariffs.

The CHAIRMAN. What did the rate wars result in?

Mr. FINK. Very low earnings of the roads, the stoppage of dividends, the lowering of the values of stocks, and losses to the people who invested their money in railroad securities, which must finally result in financial disaster.

The CHAIRMAN. And the cheapening of transportation of traffic to the people?

Mr. FINK. Yes, sir; the cheapening of transportation at the expense of the owners of railroad property, who are entitled to reasonable compensation, but which they can not obtain unless rate wars can be prevented.

Senator HARRIS. I will go a step further as to the method of pooling. Now, if I understand you—and if I do not, I want to understand you—you are better enabled to enforce the maintenance of rates under the existing interstate law than you were under the pooling agreement, or the system called pooling.

Mr. FINK. The interstate law is a great assistance in maintaining rates, but it has not prevented the violation of tariffs by many devices and has not prevented rate wars and can not prevent them. As I said before, it would be a help in maintaining rates if pooling had not been prohibited.

Senator HARRIS. The chairman suggests, do you mean by maintaining rates the keeping up of them at a higher point?

Mr. FINK. I mean the keeping up of reasonable and proper tariffs.

THE DIVISION OF TRAFFIC.

Senator HARRIS. Is not the chief difference in the matter of maintaining rates under the pooling system the contract requiring a division of the traffic between the various members of the pool?

Mr. FINK. Yes.

Senator HARRIS. Or a settlement in cash of the balances, so as to equalize and to give each its part of the business, or the equivalent of its part of the business?

Mr. FINK. That is the idea.

Senator HARRIS. Under the interstate law no such rule can be made as that, and no such rule can be enforced?

Mr. FINK. No, sir.

Senator HARRIS. Under that rule did not the association or pool determine what lines the freight should go over? Did they not divide up the freight according to its destination?

Mr. FINK. At one time they did; not lately.

Senator HARRIS. They divided freights and thereby deprived the shipper of the right to determine over what line his freight should pass?

Mr. FINK. Yes; taking care that it went over as good a line as the shipper would have chosen if left to his own choice in the matter.

Senator HARRIS. He does not control the line, but the association controls the line over which the freight passes.

Mr. FINK. We find a suitable line and ship his freight over it.

Senator HARRIS. He has not the determination of the route by which he shall ship?

Mr. FINK. I do not think that makes any difference if he gets the same accommodations.

Senator HARRIS. Would it not make this difference, one line being absolutely solvent and responsible in damages for the loss of goods, or for any injury sustained to the goods, while another line would not be solvent and so not be able to respond in damages for the loss or injury of the goods, and in the latter case leave the shipper without remedy?

Mr. FINK. We provided for that. If we diverted the freight from one line to another we held ourselves responsible for it.

Senator HARRIS. Could it be enforced?

Mr. FINK. I think it could be enforced. I know it has been. We have no right to divert the traffic and not be responsible.

Senator HISCOCK. You only made those changes where you had some secret understanding, did you not?

Mr. FINK. No; it was an open understanding.

Senator HARRIS. You only held the various members of the association responsible for such a loss by the contract that they entered into?

Mr. FINK. Yes; by our contract.

Senator HARRIS. And if that contract be void, because the courts hold it to be contrary to sound public policy, then legally you could not be held at all?

Mr. FINK. We held ourselves liable in a case of that sort.

Senator HARRIS. The carrier to whom these goods were consigned could be held responsible for a diversion, but not the other carriers?

Mr. FINK. The shipper would look to the carrier to whom he offered the goods, and that carrier would look to its associates to share in any loss that might occur. The shipper is fully protected. That system had an excellent effect in maintaining rates and stopping unjust discrimination. Freight was diverted from a road that was known to be con-

tracting at lower rates and showing favoritism, and was given to a road which charged full rates, thus stopping the secret concession made by the former. This practical method was more effective in carrying out the principles of the interstate law, I think, than any penalty provided for in the law itself.

LEGALIZING POOLING.

Senator HARRIS. Do you think the public would be benefited by repealing the fifth section and allowing the common carriers to enter into combinations, associations, or pools, such as existed before the passage of this act, rather than to retain that section and allow every carrier to fix his own rate, and then giving him the aid of the law to maintain it? Do you think the public would be benefited by abolishing that feature?

Mr. FINK. The object of the law could be more completly accomplished by abolishing that feature and legalizing pooling instead of prohibiting it.

Senator HARRIS. You would have pooling legalized instead of having it left as a nihility?

Mr. FINK. Yes; I would enforce pooling contracts like any other contracts. If you want to make a perfect arrangement legalize pooling; but I would hardly advocate it. Let the railroads work out the problem as best they can; but do not prohibit pooling.

Senator BLAIR. Would it not be necessary in that event that the Government should have something to say before the fixing of the rate?

Mr. FINK. It does now.

Senator BLAIR. Not by any law I know of. It may be a law of nature.

Mr. FINK. If the railroads attempted to charge an extortionate or unreasonable rate you could go before the Commission and they would prohibit it.

Senator BLAIR. But there is no power to reduce that rate but a jury.

Mr. FINK. The railroads generally obey the decisions of the Commission.

Senator BLAIR. Yes; but most people avoid the crime of murder. There is no law that I know of under which the Government can now say you shall charge 2 cents a mile, or if you charge more there is a penalty for it. But, I say, is it not necessary if the Government legalizes pooling that it should have something to say about the contract that it is to enforce?

Mr. FINK. All the Government would have to say is that the tariff to be maintained by the pool is a fair and just tariff.

Senator BLAIR. That is regulating it. If you make a provision that the Government shall enforce the pool, then the public is at the mercy of the poolers as to rates.

Mr. FINK. Not under the interstate law which provides for just and reasonable rates.

Senator BLAIR. And the Government would be called in to stop that extortion. Should you not consider the public as a factor in the fixing of the rates?

Mr. FINK. The public is a very important factor in the fixing of the rates at all times.

Senator BLAIR. Now, if the rate is extortionate you claim that a man

can go to the Commission and they will scold a little and then he will bring the case before a jury and get a verdict.

Mr. FINK. If the railroads do not obey the Commission the shipper can go to a jury, but I think such a case will hardly occur.

Senator HISCOCK. Is it true in point of practice that whenever the Commission reduced rates that that reduction has been adhered to?

Mr. FINK. Yes, sir; so far as I know. The railroads are not likely to carry a case of that sort to the courts. I suppose you bear in mind that constructively the country accepts the tariffs filed with the Commission. Otherwise it would not legislate to have them enforced by the Commission. We must, therefore, assume that there is an approval of the tariff until complaint is made and some evidence is produced to show that the tariff is not correct.

GOVERNMENTAL ESTABLISHMENT OF RATES.

Senator REAGAN. Is it practicable or possible for the Government to establish the rates, as I understood you to suggest?

Mr. FINK. It would be a very difficult thing for the Government to establish the tariffs. The making of just and reasonable tariffs over 150,000 miles of railroad is certainly not an easy task.

Senator REAGAN. In view of that, then, who should establish the rates under a pool?

Mr. FINK. The railroads, in the first place.

Senator REAGAN. When those rates are established, does not that close out the possibility of the public getting the benefit of competition in freight rates?

Mr. FINK. Not at all. They may not get the benefit of rate wars and unreasonably low rates, but they get the full benefit of legitimate competition. The element of competition is always taken into account in establishing tariffs.

Senator REAGAN. If this Government can not fix the rate—and I agree with you it is impossible for it to do so—and the railroads can fix the rate and must fix the rate, can they not fix the rates at any figures they choose?

Mr. FINK. No, they can not. It is a great mistake to suppose that the railroads can sit down and make any tariff they please. If that were the case there would not have been so many bankrupt railroad companies. The tariffs are limited to such low rates that it is questionable whether many of the railroads can live under them.

Senator REAGAN. Is it not true that there were more difficulties and railroad wars and cut freight rates before the passage of this law than since the passage of this law?

Mr. FINK. I could not say so. I think there have been more wars in the West since the passage of the law than before. I can not say as to the Eastern roads. In the East the railroad companies are older and better organized, but they were fighting all last summer, notwithstanding the law.

Senator REAGAN. Is it or is it not true that when pools have been formed their failures have been more the rule than otherwise?

Mr. FINK. There have been pools of that sort and there have been pools that have been successful. We carried out a pool from 1877 to the 1st of April, 1887. For ten years we had no difficulty. Of course, the pool is not a panacea for all evils; but it is a great help; especially so if it could be legally enforced.

Senator REAGAN. Has it not been the custom for years for the rail-

roads to carry through freights, say from Chicago and St. Louis to the Eastern markets below the cost of transportation?

Mr. FINK. Unfortunately that has been the case, sometimes.

Senator REAGAN. And to preserve the revenues of the roads they have been obliged to carry the way freights at a higher rate to make up the deficit?

Mr. FINK. Comparatively higher as compared with through freight, but not absolutely higher. They did not increase the charges on way freight for the purpose of making up the loss on through freight; but they charged as much as they could on local freight when the through rates were on a proper basis.

Senator REAGAN. Did it not often happen that persons could ship their goods away from the market and then bring them back at a lower rate than they could have shipped directly?

THE ENFORCEMENT OF THE LAW.

Mr. FINK. Yes, during rate wars. I do not complain of the interstate law. I am heartily in favor of it. The great difficulty with the law is that you can not enforce it, and we are prevented from enforcing it ourselves by being prevented from pooling. You have no machinery for enforcing the law. Our associations have the machinery to carry it out, but not the power.

Senator REAGAN. I would venture the opinion that under the amended law it will be enforced.

Mr. FINK. I think that there is every intention of enforcing it.

Senator REAGAN. The Government not being able to fix the rate, and the corporations having fixed the rate, if they choose to make extortionate tariffs, without the benefit of such protection, how are the people protected?

Mr. FINK. It is utterly impossible for the railroads in this part of the country to make extortionate rates. You have the interstate law, and whenever there is a case of extortionate charges you can go straight to the Commission and rectify it.

Senator REAGAN. Suppose they enter into a general pool, what would hinder them from fixing any rate they pleased, if the pool is legalized?

Mr. FINK. You can not get waterways into the pools. I have not been able to see how railroads can make any higher charges than they do to-day. There has been no complaint about high rates. If you examine the records of the Interstate Commerce Commission you will find that with the exception of some little adjustments of interior local rates, there has not been a single complaint brought by a man in the United States as to extortionate rates; they are an impossibility. You have an idea that the roads could make these rates arbitrarily, but they can not. The shippers make the rates rather than the railroads. The shipper comes to the freight agent and tells his story about what the rates ought to be, and the freight agent is always inclined to accommodate the shipper. Thus the shippers exercise a great influence on the railroads in the making of rates.

Senator REAGAN. Do you happen to be informed as to the rates on the transcontinental railroads—I mean the Northern Pacific, the Southern Pacific, the Union Pacific, and the Canadian Pacific—do you happen to be informed about their relative rates?

Mr. FINK. I know their tariffs in a general way; I know they have a great many difficulties to contend with.

Senator REAGAN. What do you understand to be the relative rates between the Canadian Pacific and the other roads?

Mr. FINK. I believe they work under an agreement. The Canadian Pacific is allowed a differential of 40 cents. The rates are about $4 between New York and San Francisco on first-class business, and from that down to $1 on the lower classes.

STATEMENT OF JOHN KING.

Mr. JOHN KING, president of the New York, Lake Erie and Western Railroad Company, appeared.

The CHAIRMAN. Will you tell the committee what your business now is?

Mr. KING. I am president of the New York, Lake Erie and Western Railroad Company.

The CHAIRMAN. What are the termini of that road?

Mr. KING. Jersey City at this end and Buffalo and Dunkirk on the lake and Salamanca on the road proper.

The CHAIRMAN. Where is Salamanca?

Mr. KING. In New York, at the point where the New York, Pennsylvania and Ohio road commences.

The CHAIRMAN. Can you give the connections of your road?

Mr. KING. The New York, Pennsylvania and Ohio commences at Salamanca and goes in one direction to Marion, Ohio, where the Chicago and Atlantic commences, which road was built under the auspices of the Erie road, but not directly under the control of the latter. Then we go to Dayton, Ohio, where we connect with several roads, principally the three C's and I. road into Cincinnati. We have various connections in the State of New York.

TRAFFIC RELATIONS WITH THE GRAND TRUNK.

The CHAIRMAN. What are your traffic relations with the Grand Trunk Railway Company?

Mr. KING. It is a very friendly connection of ours at the Niagara frontier.

The CHAIRMAN. Do you do much business in connection with that road?

Mr. KING. Yes, sir.

The CHAIRMAN. What freight do they take from you?

Mr. KING. Could not tell you exactly, but it is very large; we interchange a good many passengers as well.

The CHAIRMAN. Going west and east?

Mr. KING. Yes. It is a full close connection of ours.

The CHAIRMAN. Could you give approximately the total business done between your road and the Grand Trunk?

Mr. KING. I think 100 cars a day on an average, or about 70 west and 30 east.

The CHAIRMAN. What would that aggregate in tons?

Mr. KING. It would average about 15 tons to the car.

The CHAIRMAN. Have you any special agreements with that road by which you do business in connection with it?

Mr. KING. Yes, sir.

The CHAIRMAN. Do you know what they are?

Mr. KING. Generally to interchange business. We met within the last week or ten days. We have nothing but the ordinary traffic arrangements between railroad companies, except that we agree that we

will run one principal passenger train by that route, and they agree to to do the same thing with us.

The CHAIRMAN. At what point does your road connect with the Grand Trunk?

Mr. KING. At Suspension Bridge and Black Rock.

The CHAIRMAN. I believe you gave your western connection in this country as at Salamanca, did you not?

Mr. KING. Yes, sir. Our relations there are these: We lease that railroad. It was called the Atlantic and Great Western, but is now known as the New York, Pennsylvania and Ohio. We pay 32 per cent. of the gross earnings as rental.

The CHAIRMAN. You form, then, a through line in connection with the Grand Trunk, do you?

Mr. KING. One line, yes, sir; and another in connection with the New York, Pennsylvania and Ohio, and the Chicago and Atlantic.

The CHAIRMAN. You have a railroad connection with the Grand Trunk, but do you have any competitive relation with it?

Mr. KING. Yes, sir.

The CHAIRMAN. What is that?

Mr. KING. The Chicago and Atlantic, and the Atlantic and Great Western, and our main line.

The CHAIRMAN. So you are in competition with the Grand Trunk, and do a large portion of your western business in connection with it?

Mr. KING. Yes, sir; and we also do a large business with the Pennsylvania Railroad, and some business in connection with the Baltimore and Ohio Railroad at Mansfield.

DIFFERENTIALS.

The CHAIRMAN. What arrangements exist now with respect to differentials whereby your company and the Grand Trunk are enabled to get a satisfactory share of the competitive business between the East and the West?

Mr. KING. We get no differential on the east-bound by any line, except on dressed beef for a portion of the time; we get a differential on the west-bound traffic.

The CHAIRMAN. You mean on freight going west you get a differential?

Mr. KING. Yes, sir.

The CHAIRMAN. You and the Grand Trunk in conjunction?

Mr. KING. Yes; also by the Atlantic and Great Western.

The CHAIRMAN. How is it you get it west and not east?

Mr. KING. Because we have not asked for it east.

The CHAIRMAN. Why do they give it to you west?

Mr. KING. Because we insisted upon it, and fought for it, and after a long delay got it.

The CHAIRMAN. Have you a right to it, do you think?

Mr. KING. Oh, yes; we have a right to more.

The CHAIRMAN. What is your differential now?

Mr. KING. From New York City and Boston on first, 5 cents; second, 4 cents; third, 3 cents; fourth, 2 cents; fifth, 1½ Boston, 1 New York; sixth, 1 cent.

The CHAIRMAN. Is there any reason why if you have a right to get it one way that you should not get it both ways?

Mr. KING. Yes, sir. In a few minutes I could tell you as to that so far as the past three years are concerned. Before pooling was prohib-

ited we got these cash balances that have been alluded to from time to time because we did not carry business enough—did not carry the percentage that was awarded to us by the arbitrator, whoever it may have been, at the time. When the interstate law went into effect the railroad managers were very much embarrassed as to exactly how they should act. We could not pool. The stronger lines did not want to admit that they would allow differentials, but said they would do it if it was found upon the actual business done that it was necessary or right to do it. After a good deal of hesitation the Erie Railroad agreed after April, 1887, that it would maintain full rates absolutely, and we would watch the result of that before demanding a differential. Our object in doing that was to the end that if we could get the percentage of business that we formerly got we would be content, and on the other hand the Pennsylvania and the New York Central said that they would be willing at the proper time to make some sort of an adjustment. It has gone along under that arrangement until this time. There was no adjustment made until about a year ago. Our west bound business fell off, and they then agreed that they would allow a differential in our favor on west-bound. They did not allow any differential on east-bound business, as I said before, and the result of the whole thing is that for the first two years, which have just about expired, we are $1,064,119 short in competitive traffic, as compared with what we would have received under the old system.

The CHAIRMAN. What old system?

Mr. KING. Paying balances under the pool.

The CHAIRMAN. What effect did the law have to produce that shortage?

EFFECT OF THE INTERSTATE LAW.

Mr. KING. The effect is this, and I will answer two questions at one time. In the first place, take a line like the Erie Railroad, which has not the best reputation in the world, though it has now a better reputation than it had at one time, and we are trying to outlive the old reputation as fast as we can. Formerly we could not get our share of the traffic. The reason we were given a percentage under the pool was because the stronger lines knew we could do a certain large amount of business legitimately, and knew we could get another amount of business, large or small, illegitimately.

The CHAIRMAN. That, of course, was before the law took effect?

Mr. KING. Yes, sir; and so they made us payments in cash of our shortages under the pool before the interstate law went into effect, amounting in the last year, ending April 1, 1887, to $429,337, and which, under the same basis of settlement, amounted to over $530,000 per annum for the two years from April 1, 1887 to April 1, 1889

The CHAIRMAN. So you lose nothing by the passage of the interstate law?

Mr. KING. Except about $1,000,000, or over $500,000 per annum.

The CHAIRMAN. But your road is not so situated naturally as to be able to secure business in competition with others?

Mr. KING. The New York Central is a very strong line, and the Pennsylvania is a stronger one at the same rates. That, of course, is understood.

The CHAIRMAN. Your road has the right to fix any rates it pleases, provided it is done according to law. You have been done no injury by the operation of the interstate act except in that way, have you, that

your road is at a disadvantage as compared with the other roads in getting the business ordinarily.

Mr. KING. As a general proposition that is a correct statement. The operation of the interstate law has been to strengthen the strong lines and to weaken the weak lines. I am not talking of the Canadian lines at the moment, but am speaking of the lines in the United States.

The CHAIRMAN. Under the operation of the pool you say you received $500,000 a year?

Mr. KING. Yes; the Erie would have got that much more than we get now if the law had not been changed.

The CHAIRMAN. How did you get that?

Mr. KING. We got that for being virtuous, for one reason, and, generally speaking, the lines thought it only fair that the competitive business be distributed under the rule, as Mr. Fink explained. We got that amount for these reasons.

The CHAIRMAN. And you got that without doing anything?

Mr. KING. We got it every month. If, upon a statement it was shown that we owed them anything, we paid it, and we gave security, but we did not pay much.

The CHAIRMAN. The balance was always in your favor?

Mr. KING. Generally.

The CHAIRMAN. Of the differentials that you get on your west-bound freight what proportion does your particular line get as compared with the Grand Trunk?

Mr. KING. The same.

The CHAIRMAN. Per mile?

Mr. KING. Yes.

The CHAIRMAN. Do you think that this differential arrangement should be kept up?

Mr. KING. I think the differential ought to be increased; the principle is good enough.

The CHAIRMAN. You think the differentials should be increased?

Mr. KING. Yes; because we are running behind.

The CHAIRMAN. Are these differentials the expedient whereby your company secures the traffic, and do they take the place of the pool in order to attain that object?

Mr. KING. That is a true statement. The reason, also, why we have fallen behind since these differentials were allowed nominally is that they are really allowed because the other lines have reduced their rates in proportion.

The CHAIRMAN. Reduced their rates for what reason?

Mr. KING. Simply because business was dull and they wanted all they could get. They thought we were getting a little too much. I do not think that is being done now, however.

The CHAIRMAN. Was not that the result of the interstate act and the publication of rates by all the roads?

Mr. KING. I can not say that it was; it may have been.

OBSERVANCE OF THE LAW.

The CHAIRMAN. You do not mean that they reduced the rates in violation of the act?

Mr. KING. I would not like to swear to that. You know that for a time—say most of last year—the rates were not strictly observed by any of the lines.

The CHAIRMAN. What particular period do you refer to?

Mr. KING. Last year.

The CHAIRMAN. The year after the act went into operation?

Mr. KING. Yes; 1888. With the beginning of the enforcement of the law from the first of April, 1887, they generally obeyed it, but afterward they got careless and looser in rate matters.

The CHAIRMAN. How?

Mr. KING. They did it all along, and I think one reason for it, though I do not say it in criticism of the Interstate Commerce Commission, is that the Government did not undertake to carry out the law. The Commissioners gave various opinions in conflict with each other. The only thing the companies appeared to know was that they were not punished. So the roads went along pursuing these practices while permitted to do so, and the fact is that not until the amendment of the law was made, on the third of last March, did the traffic agents wake up to the fact that they might be placed in a dangerous position if they violated the law.

The CHAIRMAN. So they are now beginning to observe it?

Mr. KING. I think it is very fully observed in this country.

OPPORTUNITIES OF THE CANADIAN ROADS.

The CHAIRMAN. How is it with these Canadian roads that are taking traffic into and out of the United States?

Mr. KING. Of course we can not tell how they act up there, not nearly as well as we can tell how we act ourselves; but we know this, that they have abundant opportunities for doing things contrary to law without being punished.

The CHAIRMAN. What are these opportunities?

Mr. KING. The opportunities are these: As an example of what they can do, and I must confess I believe they do it, they make a contract with a man in Chicago to take his export business to Liverpool, and they give him rates and the rates are on the bill of lading, and everything is right on the face of it and hardly anybody knows anything different; but it is the easiest thing in the world, and I am told it is a fact, for the freight agent in Montreal to send a draft to the man in Liverpool or London paying him a rebate. If the rate is 25 cents on a bill of lading and the agent agreed to make it 22 cents, the 3 cents in sterling is sent to Liverpool.

The CHAIRMAN. And a part of that cargo goes through the United States?

Mr. KING. In some cases. It does not come through always. It goes to the line at Portland or the line at Montreal.

The CHAIRMAN. Any goods carried to Liverpool or any place abroad where they do not strike the United States in transit, as a matter of course are entirely out of our jurisdiction.

Mr. KING. But I am inclined to believe that it goes to Portland. I do not believe those lines are directly subsidized. They may have been at one time. That you will find out in your investigation in Canada. We all know that no business originates at Portland. We know that these ships must have a load, and the road must give them a load, and if they can not give them a load at one price they will give it to them at another. The steamship lines settle with the railroad lines, and the railroads settle with the shipper by means of drafts. That is what is believed among railroad men, but I do not charge it.

The CHAIRMAN. Are any of you gentlemen engaged in that sort of practice?

Mr. KING. Not at this time; but those fellows did not stop. They

kept going on and on, and will go on forever. They do not mind the law.

The CHAIRMAN. Have any of them committed a violation of law, or has any agent in the United States disobeyed the law? If they have they may mind the law some of these days.

Mr. KING. Commissioner Fink thinks it is pretty hard to get hold of them. It seems to me that the Federal court can get hold of an agent living in the United States, even if he be a citizen or lives in Canada, but I am not a lawyer, and can not speak definitely as to that.

The CHAIRMAN. But it is your judgment that the American people who are engaged in railroading are trying to obey the law just now?

Mr. KING. I do not know of any case of violation.

THE AMENDMENT OF THE LAW.

The CHAIRMAN. So that the additional stringency of the law has aided in its enforcement instead of weakening it?

Mr. KING. I think the amendment of the law is a very important thing, and I am sorry it was not done before.

The CHAIRMAN. The fact is that the reason the Commission, if I may be allowed to say it here, did not enforce the act as rigidly as I thought and others thought they should have, and as you must have thought they should have, if you were trying to obey it yourself, was because there were some missing links in the law and some questions as to whether it could be enforced in the courts.

Mr. KING. I think, as I understood it, and in fact I understood some one who claimed to know to say so, that the Commissioners did not agree among themselves, though the majority decided that the Commission could not enforce it on the through business, and the amendment was made to correct that, and it had a salutary effect on the railroad people.

THE SITUATION AS TO THE GRAND TRUNK.

The CHAIRMAN. Have you any comment to make on the present situation under the interstate act as between your road, being an American road, or of any other roads that you know of in America, and those in the Canadian Dominion?

Mr. KING. I have this to say, that the Chicago and Atlantic road, which, as I said, was promoted by the Erie but does not belong to it, the Erie Company having two millions of dollars in it, is in close connection and full harmony with the Erie system. We do not get out of Chicago what we regard as our fair share of the business. That may be a question, but we know we do not get as much as we did formerly and the Grand Trunk gets certainly twice as much, and they distribute that among their different connections. You understand we not only have a connection with them, but the West Shore, the Lehigh Valley, the Rome, Watertown and Ogdensburg, and the Lackawanna have connections with them also, and they have connections through Maine and Vermont.

The CHAIRMAN. What is the connection in Vermont?

Mr. KING. The Vermont Central.

The CHAIRMAN. Does that belong to the Grand Trunk or is it leased by the Grand Trunk?

Mr. KING. It is not, but it is in close affiliation with them. Its policy in a measure is dictated by the Grand Trunk. They have been a thorn in the flesh of all roads up there for years; they have always been making lower rates.

The CHAIRMAN. You say you have not fared as well as you did before the act was passed. Now what is the specific explanation that you have to make for not having fared as well?

Mr. KING. Well, I could not prove it, and I would not attempt to prove it, but my impression is that they do these things. I have understood that they give drawbacks.

The CHAIRMAN. And in fact the Canadian road does not obey the law as you do?

Mr. KING. No, sir.

The CHAIRMAN. And violates it by giving rebates?

Mr. KING. I can not account for it in any other way. I do not say anything about our line. But you take a line like the Lake Shore. Nobody knows any better line than the Lake Shore running from Chicago to the East. The Michigan Central also is a good line. It runs to Detroit and runs over the Canadian Southern, which they lease, to the Niagara frontier. Everybody knows that the Pennsylvania Railroad is a splendid line, and yet the Grand Trunk go into Chicago and get as they did a week or two ago, 39 per cent. of the business, when it used to get less than 20 per cent.

The CHAIRMAN. I will ask you to explain that.

Mr. KING. I can not explain it. These things are done in the corner and secretly in every way. I think Mr. Newell has the figures. The Grand Trunk has been getting recently 39 per cent. of the through business out of Chicago.

Senator REAGAN. In competition with your road and the Pennsylvania and the New York Central?

Mr. KING. Yes, and the Baltimore and Ohio.

Senator REAGAN. Have you any notion as to any change in legislation necessary to protect American roads against foreign roads doing business in this country?

Mr. KING. No, sir; I have no idea as to how it can be done. As I said, I am not a lawyer, and certainly am not a legislator; but it seems to me that with persons doing business in this country, where a part of the business is done in Canada, you can apply the same rule as you would apply to the American roads.

The CHAIRMAN. Do you think the interstate law can be so enforced that a Canadian road coming into this country must obey it?

Mr. KING. I can not see any reason why it should not. If a law of Congress is passed it applies to everybody in the United States. I do not see why it should not apply to others doing business in the United States. Speaking for our road, we do not ask anything. We do not ask that we shall have any advantage over the Canadian road, but we ask that the Canadian road be put exactly on the same footing as we are.

Senator GORMAN. How are you to get at it?

Mr. KING. That is not for me to state.

The CHAIRMAN. How are the tariffs of the Canadian road, as far as you know?

Mr. KING. I do not know. I know the same action is taken toward them by the Commission as it takes toward other roads. They are required to post their rates, as the American roads do.

The CHAIRMAN. Are their through rates posted?

Mr. KING. Yes; I think they are all posted in Chicago.

The CHAIRMAN. And the only question in your mind is whether or not they are lived up to?

Mr. KING. Yes.

The CHAIRMAN. They post the rate according to what they are entitled to charge under the differential rate?

Mr. KING. There is no differential east-bound. We publish the differentials here on west-bound.

The CHAIRMAN. Over what lines of the Grand Trunk or other Canadian roads do your cars now run, and in the carriage of what traffic?

Mr. KING. They run over the Grand Trunk, but I do not think we have any cars running over the Canadian Pacific. If we have any they are very few.

The CHAIRMAN. Do your cars go through to Canada without hinderance in any way?

Mr. KING. Yes, sir.

The CHAIRMAN. Just as though the two companies were one?

Mr. KING. Yes, sir; just as they do by any line south of the lakes.

The CHAIRMAN. Do you know what becomes of your cars when they get into Canada?

Mr. KING. I think they use them in the through traffic, unless they are very short of cars. They use them pretty much as they are used elsewhere.

The CHAIRMAN. And when Canadian cars come over here, do you let them go off your line anywhere?

Mr. KING. No, sir; we send them right back.

THE POOLING QUESTION.

The CHAIRMAN. There has been a good deal of discussion here on the pool question. Mr. Fink seems to think that it is a cure for all ills and that its prohibition has been the cause of most of the ills that have existed since the passage of the act.

Mr. FINK. I did not express myself quite so strongly.

Mr. KING. I was going to say that I would not go quite that far. I think this, that the pooling system ought not to have been broken up until some better system had been devised. We lost more than one million of dollars on account of the abolition of the pool in the two years since the interstate law went into effect.

The CHAIRMAN. If the pooling had gone on you would have been getting that much more money now?

Mr. KING. Yes, sir; and it would be very acceptable. By breaking up the so called vice of pooling the weak lines have been weakened and the stronger lines have grown stronger.

The CHAIRMAN. Has not the interstate law had a tendency to check the building of unnecessary railroads and thereby give the weak lines a chance of recouping?

Mr. KING. That might follow as a corrollary.

The CHAIRMAN. Has the interstate law prevented the building of more railroads?

Mr. KING. Yes, but I do not think that the interstate law is the only thing that produced that effect. Lines were built into deserts and everywhere else where there was no business for them, and taking the two things together it has prevented the railroads from making money. As we know, some of the leading roads in the West are very much embarrassed, and the fact is that the people do not want to build any more roads while the existing lines, which were formerly very strong and profitable, can hardly earn their fixed charges, and very few declare a dividend.

The CHAIRMAN. Of course when you need more railroads they will be built?

Mr. KING. Yes; somebody will build them.

The CHAIRMAN. And no law could be passed to prevent it?

Mr. KING. No, sir.

The CHAIRMAN. But the forcing of the weak roads to stand a little more upon their own resources when they found they were making nothing and could not recoup from the strong roads had a tendency to check up a little the building of unnecessary roads?

Mr. KING. Yes; the natural result was this, that we did not get any more by carrying the freight under the interstate law, or not as much, as before. As far as we are concerned we have not got as much of this competitive traffic as before we met competition in another way.

The CHAIRMAN. When was that?

Mr. KING. Heretofore. It has been different in the last two years. If, for illustration, a man had a car of cattle to ship from Chicago he was not going to the Erie Railroad that would take half a day longer time to get to New York than it would require on the Pennsylvania. The Pennylvania is in superb condition and there is no better line as to physical condition in the country. It is no trouble for them to run their trains in comparatively fast time, and we have had to run our trains in the same time to get any of this business, and in order to do so we have had to spend a good deal of money to get our track in order to transport in the same time as the Pennsylvania.

The CHAIRMAN. Is it not a good thing for you that you had to put your track in good condition?

Mr. KING. Good for the public but not good for the road.

The CHAIRMAN. But it is the public we are looking after.

Mr. KING. I was looking a trifle after the railroad. [Laughter.]

THE GRAND TRUNK ROAD.

The CHAIRMAN. Take this Grand Trunk road, has it been an injury or a benefit to the people of New England and to the people of the border States along the northern line of the United States?

Mr. KING. I should not say it was an injury; I do not know of how much benefit it was. It was no injury certainly.

The CHAIRMAN. I put it both ways because I did not want to be understood as leading you in either direction.

Mr. KING. I think it about an even thing. The Grand Trunk is well-managed and a portion of it is in fine condition, the Great Western road of Canada especially, and I do not think any intelligent man in the country would want to shut up the Grand Trunk Company and prevent it from doing business.

The CHAIRMAN. Why not?

Mr. KING. Because there is competition all over the land, and we do not mind that competition in addition. It is only a part of the whole thing.

The CHAIRMAN. Suppose it were shut off, what would be the effect upon the people of Illinois and Minnesota and Dakota and Wisconsin and Michigan and New England?

Mr. KING. I do not think it would have any effect.

The CHAIRMAN. Would it not increase the price of transportation?

Mr. KING. It would give more business to the remaining lines.

The CHAIRMAN. And would not the result be that you would raise your rates?

Mr. KING. No, sir; because enough competition would be left to keep the rates down. There is no doubt about that.

Senator REAGAN. Would not the increase of business rather tend to lower rates?

Mr. KING. No, I think they would keep them about as they are. The increase of business may happen during a certain part of the year, but before the year is over it will equalize. One part of the year we would get more business than we could do, and another portion of the year it would become slack, and in the long run about equalize, year by year, for the year.

WHAT REGULATES RATES.

Senator REAGAN. Is there any reason that controls you gentlemen in the railroad business in the direction of lowering rates when you have to?

Mr. KING. No, sir.

Senator REAGAN. And you never lower them except when you are compelled to do so?

Mr. KING. Competition regulates it.

Senator REAGAN. Suppose you have not much competition, you keep it up do you not?

Mr. KING. Keep it up to a reasonable rate.

Senator REAGAN. In other words, do you consider the condition of the shipper at all, or consider how much you get out of the traffic you get control of?

Mr. KING. No, sir; I do not. I never subscribed to the doctrine that we should make it pay all it could pay.

Senator HISCOCK. Has the rule been in last twenty years that the railroads, or at least some of them, upon the theory of increasing their tonnage by lowering rates, have been more than compensated by the increased tonnage for the losses sustained in lowering the rates?

Mr. KING. That was the result.

The CHAIRMAN. It is a question whether you make more money by one system than another?

Mr. KING. We try to regulate it and consider the business in the light of what would be best for the interests of our patrons. Mr. Fink stated something with reference to the railroads when they got into these wars, and their doing business whether it would pay or not. We, however, never took any business on the Erie that did not pay *per se*.

The CHAIRMAN. Pay what?

Mr. KING. Some profit on the operating expenses, and we never took anything, if we knew it, of course, at less than the cost. Of course in a vast traffic like that, we may at times do so, but never if we know it.

EFFECT OF THE INTERSTATE LAW.

The CHAIRMAN. What is your judgment now as to the operation of the interstate law upon the traffic of the country? Has it reduced rates, or in any way affected the transportation rates of the country?

Mr. KING. I do not think it has reduced rates. I think, as I said a little while ago, it has increased the expenses of the railroads.

The CHAIRMAN. How increased expenses?

Mr. KING. Take our case. We had to compete with the best lines in the country, and that forced us to make large expenditures for increasing our facilities. The strong lines make faster time than there is any necessity for in many cases. They set the pace for the rest of us, and we had to keep up the best way we could.

The CHAIRMAN. You say the result has been a reduction of rates. You mean by that in the aggregate, do you?

Mr. KING. I mean to say that if you take the reports of the several railroads, as far as we have gone this year, it is about the same thing that the roads have done the past two years at the same time, and just about what it was two years ago. This year the rates have been a little less, because the rates are rather lower; but I think at the moment the rates are better maintained, and that when the year ends there will be very little loss compared with the previous year, and very little loss during the previous year compared with the year before, and very little loss for that year in comparison with the year preceding.

The CHAIRMAN. Well, the average rate is about the same, or possibly a little less. Is it or not true that in the making of new schedules in localities, rates have been largely reduced so as to comply with the long and short haul clause of the law, and the general provisions of the law?

Mr. KING. I do not know how that is on other roads. It has not been so to any great extent upon ours.

The CHAIRMAN. I happen to know that in my section of the State of Illinois freight rates were very greatly reduced on wheat and corn and cattle.

Mr. KING. I can understand how that would be on a short road.

The CHAIRMAN. I mean as to points not competing. I ask whether or not it is true that at non-competing points and in different sections of the country rates have been reduced very much below what they were before the law took effect.

Mr. KING. I do not know how it is on other roads. If so on our road, it is to a very slight extent. I think, perhaps, it is so to a slight extent.

OPERATION OF THE POOLING CONTRACT.

Senator HARRIS. I understood you to say that under the pooling contract that existed before the passage of the interstate act, your road received about a half million dollars a year from other carriers that belonged to that pooling association.

Mr. KING. That was about it.

Senator HARRIS. And, to use your own language, it was paid your road because you were "virtuous."

Mr. KING. Yes.

Senator HARRIS. I understand that to mean that it was paid by other carriers out of their earnings and not earned by your road.

Mr. KING. Yes, sir.

Senator HARRIS. That being true, did it not practically result in taxing the shippers of this country to the extent of a half million dollars a year more than they would have been taxed necessarily but for this bounty donated by other carriers to your road?

Mr. KING. No; certainly not.

Senator HARRIS. The other roads had to earn that much more money than was necessary to sustain them, if they were to be sustained, to pay you that half million of dollars for doing nothing?

Mr. KING. That may be the right way of stating it, but as a matter of fact they do not now pay us anything. They have secured what belongs to us. Other companies get that much more; we get that much less. What we do not get on this competitive business the strong companies retain.

Senator HARRIS. But you received a half million dollars a year that you did not earn?

Mr. KING. Yes.

Senator HARRIS. And the shippers of the country paid it. If they pay the same now, though you do not get any part of it, it would tend to show, would it not, that the rates are a little exorbitant and unnecessarily high?

Mr. KING. That I can not answer for anybody else. I know we earned only a little over our fixed charges, and that little and more besides was put into the road for the benefit of the public. A man who travels over the Erie road will feel very differently from what he felt while traveling over it three or four years ago. Then, when he started on that road, it was doubtful if he would reach his destination on time. Now we can run over the road as safely and as promptly as the Pennsylvania Railroad does.

Senator BLAIR. You said that you got the half a million dollars for being virtuous, and that if you had not got the half million you would not, in effect, have been virtuous. You said they knew you would have some business anyway, and that if you did not get the business legitimately you would get it illegitimately. Now what were those illegitimate means of getting the business with which you threatened the other roads?

Mr. KING. I did not say I threatened them.

Senator BLAIR. I do not mean anything personal, but I want the idea.

Mr. KING. The point is this, that they knew perfectly well that we were bound to get, somehow or other, some of this business. This was a time when we were under no restrictions, and we were bound to get enough business to pay our fixed charges, if possible. We did not get it the first year because the business was done throughout the country and they thought better that they should allow us the percentages than to allow us to go in independently and make the rates. Now understand how these percentages were established. It was left to the commissioner to determine just what per cent. the Erie road and its system should get out of certain business at certain points, and it was all combined, and after months of deliberation he announced these percentages, and our percentage was made whatever it was fixed by him and was paid to us under those figures. To be honest and candid I do not think those roads would have agreed to continue to pay $500,000, but I have stated the way those percentages were worked out before the passage of the law, and we would have been contented to allow it to go along, for if the law had not been enacted we would have been $500,000 per annum richer.

BENEFITS OF THE LAW.

Senator BLAIR. Do you know of any good the interstate law has done?

Mr. KING. I think it has done good.

Senator BLAIR. Please state in what way.

Mr. KING. I think it has brought the railroad men to a better appreciation of the fact that there is some general power that is going to govern them instead of every fellow striking out for himself and doing as he likes. If I should indicate any criticism at all about the Interstate Commerce Commission it would be that they should carefully consider the whole case presented to them and make their decision as promptly as possible, and then carry it out. I do not mean to criticise the Commission of course. You all know it. You know that the Interstate Commerce Commission started out two years ago, and let everybody do as they please, especially in the South. I know this question of

passes has been before them for months. That question was presented to them three months ago, after they had been talking in all sorts of ways about it, and some thought that passes ought to be prohibited and so on, and finally the question was presented to them officially three months ago, and I do not know to-day any more what the law is with respect to passes than before the interstate law was passed.

Senator BLAIR. Is that a trouble with the law?

Mr. KING. I think it is due to the ambiguity of the law, because I could not get two lawyers together who could agree on it.

The CHAIRMAN. That is, two railroad lawyers?

Mr. KING. I do not have any other kind, and now with this pass question pending we have to get along the best way we can.

Senator BLAIR. Have you observed the practical workings of the law, and are you familiar with its provisions?

Mr. KING. Yes, sir.

SUGGESTIONS AS TO ADDITIONAL LEGISLATION.

Senator BLAIR. Do any suggestions occur to you as to additional legislation that would be useful to the country?

Mr. KING. I think the very case before you is a most important matter. You have to consider as to how it is possible to bring the Canadian lines abreast with us, and at the same time provide that they shall not have any advantage over us. You have to do something to stop the quarreling we now have, and I do not think you can hurt the interests of the country if you do so, and perhaps you would benefit the country.

Senator BLAIR. I will ask you at that point what suggestion would you make as to what should be embodied in the law?

Mr. KING. I would make some provision sufficiently stringent to bring those Canadian railroad people before the courts just as any of us may be brought before the courts. I would not have any punishment administered to them that would not apply to any American railroads, but would have the same thing apply to both. I think that would operate fairly all around. And it does not strike me, as I said awhile ago, that there is any difficulty about accomplishing this end.

Senator BLAIR. Would you convict their employés?

Mr. KING. Yes, sir; that is what you have to do with us.

The CHAIRMAN. Under the law as it is we can stop the running of trains.

Mr. KING. Yes, sir; I do not think there is any trouble about it, except that somehow or other the Canadian people seem to think that you can not reach them, and, in fact, they say so. I think that they would say to the Interstate Commerce Commission, "That is your decision, but that does not count with us."

The CHAIRMAN. We will see if we do not make something count before we get through.

Mr. KING. As far as our roads are concerned it would be a great disadvantage if the Grand Trunk Line were stopped, because they bring to and take from us a good deal of business.

Senator BLAIR. Inasmuch as your business is valuable to them, they would come to terms if they were obliged to lose the business by not doing so, would they not?

Mr. KING. Yes, sir; I think it only proper for the Government in its proper channels to notify them that they have to obey the law.

Senator BLAIR. Do you think the pooling provision ought not to have been repealed?

Mr. KING. Yes.

Senator BLAIR. And if it were legalized you would get that half million again?

Mr. KING. Yes, sir; that is one reason.

Senator BLAIR. Yes, that is a strong argument with you.

Mr. KING. Yes, sir, that is the strongest I can present.

CANADIAN PACIFIC COMPETITION.

Senator GORMAN. Do you do any through business with the Pacific?

Mr. KING. Very little. We issue bills of lading through.

Senator GORMAN. What effect has the Canadian Pacific on that through business, as far as your road is concerned?

Mr. KING. I do not think it has much effect between here and San Francisco. They only get in here by temporary arrangements with such lines as connect with them.

Senator GORMAN. You have not felt that competition?

Mr. KING. No, but I can see how the transcontinental lines feel it.

Senator GORMAN. How about through shipments to Liverpool coming from San Francisco?

Mr. KING. There is some silk and tea that comes here to New York. We get our share of that.

Senator GORMAN. Looking at these conditions as you know them to be with their steam-ship lines at the other end, how much of a competitor is this going to be?

Mr. KING. Very formidable if they get a good line into the United States. I am speaking now of the American railroad system. It will be very strong. The truth is that the rates on tea and silk are very, very low, ridiculously low in view of the great risk taken in the transportation. Silk is a valuable article, and if we happen to ditch a train we would have to pay very heavily for the value of the silk destroyed.

The CHAIRMAN. How about tea?

Mr. KING. Tea is nothing like as valuable in the car-load as silk.

COMPETITION OF THE WATER-WAYS.

The CHAIRMAN. How do the water-ways trouble you?

Mr. KING. They do not trouble us because we have a water-way. We have a line of steamers on the lake. We have steamers running from Buffalo, Milwaukee, and Duluth.

The CHAIRMAN. How as to the Canadian routes and the Canadian rates?

Mr. KING. That we do not know much about.

The CHAIRMAN. Those matters do not regulate your charges here at all?

Mr. KING. Perhaps indirectly, but we do not recognize and feel them. It is generally a question whether we are willing to take the grain as low as the Erie Canal, and when the rates are too low and we can get anything else we let it go.

The CHAIRMAN. The grain generally comes by the canal, does it not?

Mr. KING. Yes, sir; if the market is active they pay the lake rate, but when they can get the low rate they would just as soon have it as the elevator.

Senator GORMAN. If you had a pool would not the Erie Canal and the Mississippi River determine the rates to be charged on the freight coming east?

Mr. KING. Now you come to the fact, after all, that this competitive business cuts a very small figure in the business of the trunk lines. The Erie road carries ten millions of tons of coal one way or another. We earn a great deal more in the transportation of that one article than on all the through business combined.

Senator GORMAN. Through from Chicago?

Mr. KING. Through from anywhere West.

Senator GORMAN. Where does your canal go?

Mr. KING. Through New York largely.

The CHAIRMAN. Where do you get the coal?

Mr. KING. From the anthracite fields around Scranton and from the bituminous region. It goes to Buffalo and is shipped from there by lake to Chicago and all points West. We are carrying to-day 500 car-loads to Buffalo and more than that number to tide-water.

Senator BLAIR. Do you ship any on your water routes up the lake?

Mr. KING. We take it to Buffalo for the different coal companies or for individuals and they make their own arrangements by boat from Buffalo.

PROHIBITION OF AGREEMENTS AS TO RATES.

Senator HISCOCK. What, in your opinion, would be the effect if Congress should prohibit competitive routes from agreeing on rates?

Mr. KING. I think it would make very low rates for the railroads, and I do not think it would do any good to the public. You must have some rule to govern. You can not change the rates half a dozen times a day on roads running beside each other. Take, for instance, the Lackawanna in our case. We must have some sort of an understanding from Binghamton, for example, as to what the rates should be. First, we might make our rates 15 cents to-day. Our competitors would then make theirs 14 cents to-morrow, and we would make ours 13 cents the next day. It would only cause a great loss to us both.

The CHAIRMAN. Would you not both come to a point after awhile where you would stop?

Mr. KING. We would come to a point where we could not go any lower. We would have some silent understanding, and must have it some way or other, or else the roads would go into bankruptcy.

Senator HISCOCK. The effect would be, you say, in some way to reach a tacit understanding between the roads, or else the roads would have to go into bankruptcy?

Mr. KING. I think so. It is a new idea to me, but I should say so off hand.

THE PUBLICATION OF RATES.

Senator GORMAN. What has been the practical effect of the agreement of rates by the different roads and the publication of them as required by law? Has it not tended to put everybody on an equality?

Mr. KING. I think it has helped in that direction.

Senator GORMAN. Has there not been a very decided improvement in that direction since the passage of the interstate commerce law?

Mr. KING. I think that has been the effect generally. I do not know how decided that effect has been.

Senator GORMAN. After all, was not that the great cause of complaint?

Mr. KING. Yes; in many sections of the country, too, very justly the cause of complaint.

Senator GORMAN. Suppose you could not reach this Canadian business by the enforcement of our law, and they were permitted to go on as you intimate they are now, what would be the effect on your lines here that are in direct competition with them?

Mr. KING. It would be very severe on all of us. It would be more severe on some of the roads than on ours on account of our coal trade. But I learn that the laws of Canada do not provide for any receivership or for going into court like the laws of this country do. The railroads keep on running as long as there is anything to pay the men with. I do not know whether that is correct or not, but I have heard it was.

The CHAIRMAN. When the railroads fail to pay interest on their investments, or pay their expenses, the government comes to their relief; is that the idea?

Mr. KING. They have some very peculiar laws in Canada; their laws are not like ours.

WHAT THE ROADS ARE MAKING.

The CHAIRMAN. Do you mean to say that the trunk lines are not now making more than their running expenses?

Mr. KING. Oh, no; I do not mean that the railroads are not making more than their running expenses; they are making much more than that.

The CHAIRMAN. You simply mean they are not making more than their operating expenses?

Mr. KING. The railroads are doing better than that. We are now earning all our operating expenses and the fixed charges and something over. The New York Central is doing all that and declaring a dividend. Senator Gorman can tell you how much is being made on the Baltimore and Ohio, as he is a director in that road.

Senator REAGAN. Are not the roads generally earning more now than they did before the passage of the interstate commerce law?

Mr. KING. I can not speak for all the roads. I can tell you within $25,000 what the result was on our road. We fell off $600,000 in the first six months of this year, and decreased our expenses just about the same—not a difference of $20,000 between the two results.

Senator REAGAN. How has it been since then?

Mr. KING. The accounts are not yet made up. The gross earnings have fallen off I know, and I think the net earnings have also.

Senator REAGAN. You can not speak as to the other roads?

Mr. KING. No, sir; except what I see in the newspapers.

Senator GORMAN. Do you or do you not think it would be possible for the trunk lines to lower their rates from what they now are?

Mr. KING. I think if anybody had predicted ten years ago that such rates would exist as do now exist they would have predicted at the same time bankruptcy; but there has been such a change in railroad management, in the cost of building and operating roads, etc., that matters have somewhat equalized. Take the Baltimore and Ohio Railroad for instance. Some years ago they bought steel rails that cost $150 per ton. You can now buy steel rails for $26 or $27 a ton. Of course those rails costing $26 a ton are not as good as the old steel rails costing $150 a ton, but they answer all practical purposes.

The CHAIRMAN. That is the effect of the tariff, I suppose. [Laughter.]

Mr. KING. I would not say that; I do not know as to that.

The CHAIRMAN. I have no further questions to ask. The committee will adjourn until to-morrow morning, when Mr. Depew will appear.

At 5 o'clock p. m. the committee adjourned until to-morrow at 10 o'clock a. m.

NEW YORK, *May* 7, 1880.

The committee met at 10 o'clock a. m., pursuant to adjournment.

STATEMENT OF CHAUNCEY M. DEPEW.

Mr. CHAUNCEY M. DEPEW, president of the New York Central and Hudson River Railroad Company, appeared.

The CHAIRMAN. Mr. Depew, we have been prosecuting an examination here but a day, but I suppose you have seen the resolution under which we have been acting. I think we sent you a copy, did we not?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. If you are familiar with the purposes of the investigation, or the general scope of it, we would like to hear from you on the subject generally, or I will put questions to you for your guidance, just as you prefer.

Mr. DEPEW. I had not thought of anything but in a general way. I do not understand exactly the scope of the inquiry of the committee. I would like to do anything the committee desires of me, but I have not prepared anything in the shape of a communication.

The CHAIRMAN. I do not know but that it would be more agreeable to you to take up the resolution and discuss the general subject suggested.

Mr. DEPEW. I would have to give a little thought to it to do that.

The CHAIRMAN. What is your relation to the New York Central Railroad?

Mr. DEPEW. I am president of it.

The CHAIRMAN. How long have you occupied that position?

Mr. DEPEW. Five years, I think.

The CHAIRMAN. What are the terminals of that road?

Mr. DEPEW. New York and Buffalo.

The CHAIRMAN. What are its connections?

Mr. DEPEW. The Lake Shore and the Michigan Central are its immediate and direct connections.

The CHAIRMAN. Are there any more connections of the New York Central than the two corporations you mention?

Mr. DEPEW. Through New England our direct connection is the Boston and Albany road.

The CHAIRMAN. Is there anything more than the ordinary business connection between your road and those two roads, the Michigan Central and the Lake Shore? In other words, do you own or control them in any degree?

Mr. DEPEW. Not at all.

The CHAIRMAN. Do they own or control the New York Central?

Mr. DEPEW. Not at all. The ownership and control of the three roads are substantially in the same people; but other than that the controlling interest of the stock is substantially the same, there is no consolidation or union of the corporations. They are entirely independent.

The CHAIRMAN. They do business separately and distinctly, except as you make through connections, just as you do with any other road; is that the fact?

Mr. DEPEW. Yes, sir; except that the relations between the New York Central and the Lake Shore and the Michigan Central are very close. We do the whole of our business, east and west bound, substantially with those two roads.

The CHAIRMAN. Give us the terminals of those two roads you mention.

Mr. DEPEW. The Lake Shore runs on the south side of the lake between Buffalo and Chicago, and the Michigan Central, in connection with the Canada Southern, which it leases, on the north side of the lake, between Buffalo and Chicago.

Senator BLAIR. Does your connection cover the Canada Southern also?

Mr. DEPEW. Yes, sir; the Michigan Central leases the Canada Southern.

The CHAIRMAN. How long have you or the Michigan Central had any control of the Canada Southern?

Mr. DEPEW. I do not remember dates exactly, but it is six or seven years under this lease.

The CHAIRMAN. The present lease?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. Did the Michigan Central have it before the lease was made?

Mr. DEPEW. Before that the Vanderbilts had control of the stock of the Canada Southern.

The CHAIRMAN. It belonged originally to Canadians, did it not?

Mr. DEPEW. It never belonged to Canadians; it was built by American capital.

The CHAIRMAN. And always owned by Americans?

Mr. DEPEW. Always owned by Americans.

The CHAIRMAN. And it was finally taken in by the Vanderbilt system?

Mr. DEPEW. Yes, sir. The New York Central is the lessee of the West Shore, which is also a trunk line, running between New York and Buffalo, and of which I am president and Mr. Layng is general manager. The connections of that road are the Grand Trunk and the Nickel Plate.

RELATIONS WITH THE GRAND TRUNK.

The CHAIRMAN. Have you any connections or do you do business with the Grand Trunk?

Mr. DEPEW. The New York Central proper, very little; the West Shore, a great deal.

The CHAIRMAN. Do you have any difficulty, or does that road have any difficulty that you know of, in getting along with the Canadian road?

Mr. DEPEW. No, sir.

The CHAIRMAN. On what basis do they operate?

Mr. DEPEW. Simply the usual interchange of business between connecting lines. The Grand Trunk has three connections to New York, the Erie, the West Shore, and the Lackawanna, and it distributes its business as its interest from time to time dictates, in larger or smaller measure, to the three lines.

The CHAIRMAN. The Grand Trunk does?

Mr. DEPEW. Yes, sir. And these three lines give certain proportions of their west-bound traffic to the Grand Trunk.

The CHAIRMAN. As they see proper?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. The Grand Trunk has no legal control over either of these lines, has it?

Mr. DEPEW. No control of any kind over them, stock or otherwise.

The CHAIRMAN. Have you given much attention to the general subject of the Grand Trunk and other Canadian roads extending their lines into the United States?

Mr. DEPEW. Yes, sir; a good deal.

The CHAIRMAN. We would like to hear what you have to say on that subject, generally.

Mr. DEPEW. I would say, generally, that I have never favored the movement of cutting out the Canadian roads from the United States entirely.

The CHAIRMAN. To begin with, could you tell the committee what lines extending into the United States this Canadian Grand Trunk road owns or controls?

Mr. DEPEW. Well, the Grand Trunk owns the Chicago and Grand Trunk, extending from Detroit to Chicago, and that gives them a completed line of their own to the Niagara frontier. They have also a completed line of their own to northern New England, where they connect with the Vermont Central system. The relations between the Vermont Central and the Grand Trunk have always been as intimate as if they were interchangeable owners, but I do not know whether such is the case or not.

The CHAIRMAN. You do not know what the actual fact is as to joint ownership?

Mr. DEPEW. No, sir.

The CHAIRMAN. Do you say you favor or do not favor the extension of these Canadian trunk lines into the United States?

Mr. DEPEW. I have not favored it. At the same time, I never have favored the radical suggestion of cutting them out. They are practically in a position where they dictate to the American roads their rates, and they have facilities for doing it without injuring themselves. The American roads are bound by the provisions of the interstate-commerce act, and whatever may be the rate from Chicago to the sea-board is the rate which governs, under the long and short haul clause, our local business. So that the Chicago rate virtually controls our whole traffic. But the Canadian roads are entirely free from this provision.

The CHAIRMAN. As to the local traffic?

Mr. DEPEW. As to the local traffic. They can fix their rate from Chicago, and then recoup by any charges they see fit in Canada. Their lines in Canada constitute the larger part of their system. They can recoup, also, by rates on traffic from points in the United States to points in Canada.

The CHAIRMAN. Have they a right to do that?

Mr. DEPEW. They have limitless opportunities that the law can not reach. For instance, they ship grain by steamer across the lake from Sarnia to Collingworth and four or five points on Lake Michigan. Now, the rates from points on Lake Michigan to points in the United States or to Montreal are entirely beyond the reach of this law, I think; certainly beyond the power of the commission to reach the roads themselves.

EXPORT BUSINESS THROUGH MONTREAL.

It is only the feeling on the part of the Canadian roads that it is their best interest; it is only a matter of comity on their part; a judgment as to what is best for themselves, that they maintain any rates at all. Then they have arrangements at Montreal with the steam-ship lines which, if Montreal were better located for business all the year round,

would transfer business from the American ports to Montreal necessarily. Certainly the interstate commerce act could not deal with export business through Montreal——

The CHAIRMAN. Provided it did not touch the United States.

Mr. DEPEW. I mean gathered from points in the United States and shipped to Liverpool from Montreal.

They have an arrangement with the lines from Montreal, and also with the lines from Portland, which I understand to be this: They agree to pay the steamship line a certain sum for a definite space for the year, so that the steamship line is assured of payment of its tonnage whether it carries it or not. The steamship line can, therefore, make a rebate or drawback to secure the tonnage to fill this space. That rebate or drawback does not appear at all in the accounts of the railway company.

The same thing has been done, I understand, by American roads where they have had close connection with steamship lines, by owning them wholly or in part. Now the American lines uniformly, with the possible exception of the Pennsylvania and the lines that they own, on shipments to Liverpool are dependent entirely upon the rates from day to day and space on outgoing steamers. If there are a thousand carloads of grain in Chicago destined for export to Liverpool the American lines as a rule would give to the shipper the inland rate, and then they would telegraph to New York and get the ocean rate, or get it directly from the agent of the steamship line at Chicago, and the two rates together would make the through rate. But where the rate is contracted for from Montreal it is immaterial to the steamship line what they charge; and while the inland rate might be the same, the ocean rate, I think, would be graded just enough to take the shipment every time.

I think that accounts for the enormous disproportion of the percentage of business secured by the Grand Trunk at times as against the American lines.

The CHAIRMAN. On foreign shipments?

Mr. DEPEW. Yes, sir.

Senator PLATT. Is the Grand Trunk interested in a line of steamers from Portland?

Mr. DEPEW. Yes, sir; that is, they are interested to the extent that they say that the line would not be kept up unless they guaranteed a certain subsidy.

Now, I understand that the English Government gives a subsidy to the ships connecting with the termini of the Canadian Pacific on the Pacific coast. It is done with an idea of carrying the Asiatic trade which comes into the United States or through the United States to foreign ports across the Canadian Pacific line, which is wholly within Canadian territory, and that subsidy is sufficient to enable the Canadian Pacific steamers running to Asiatic ports to make rates which it is not possible for the American lines, which carry to our own Pacific roads tonnage from the same countries, to make.

The CHAIRMAN. You think, then, that the greatest advantage that the Grand Trunk gets over the United States roads is from the fact that it has advantages in foreign shipments?

Mr. DEPEW. Not wholly; no, sir. As I mentioned before, they can recoup in Canada. That is their great point. They have got the whole of Canada in which to recoup for any loss they may sustain on through business from Chicago. They can, therefore, at all times compel the American roads to give them such a percentage of the traffic as they think they ought to have on the through business to the American seaboards—American business. Otherwise, they can demoralize the whole

business of the American roads and make themselves good in Canada on account of the long and short haul clause, which makes the direct rate cover our whole business.

Then they have the power, if they choose to exercise it, of billing and rebilling in Canada under conditions that place them outside the pale of the provisions of the interstate commerce act.

The CHAIRMAN. What do you mean by that?

Mr. DEPEW. I mean they can bill to points in Canada and then rebill to points in the United States.

Senator REAGAN. Where commerce goes out of the United States and comes back into the United States, it subjects them to tariff duties.

Mr. DEPEW. I know that they are subject, and yet it is the difficulty of going into the foreign country. You take this point where the steamship lines carry to Canadian points on Lake Michigan, and then it is a shipment from Canada to the United States.

The CHAIRMAN. Do you know what the fact is with reference to their conduct—do they actually recoup from their own people in order to make up what the difference would be as between what you regard as a fair charge and what their rates are on through business?

Mr. DEPEW. Of course. The Grand Trunk road is a longer line and works under conditions which, commercially, in any other business, would put them out of business. Now, they exist, therefore, only by certain concessions which are arbitrary, and which are not governed by business rules. With those concessions that have been made by the Trunk lines to them they have an advantage.

The CHAIRMAN. By consent?

Mr. DEPEW. Yes, sir; by consent; and I think that the Grand Trunk officials have tried to live up fairly to the law.

The CHAIRMAN. What is the concession now, Mr. Depew?

Mr. DEPEW. Well, I can not carry the figures in my head exactly; it is a differential.

The CHAIRMAN. Varying according to the class of goods, I suppose?

Mr. DEPEW. Yes, sir. Sometimes it has been very large.

WHY DIFFERENTIALS ARE GIVEN.

The CHAIRMAN. Do you think that the situation ought to be such as to require you to give that differential?

Mr. DEPEW. I have given a good deal of attention to the argument, one side and another, on that differential question, and then to the practical working of it. I think that every railroad man in the United States has now come to the conclusion that differentials are absolutely necessary; in other words, that the railroad business differs from all other business from the fact that you can not by competition wipe out a rival in the railroad business. The railroad companies continue to run after their owners have ceased to have any interest in them, and after they have ceased to be safe to ride on.

So the only way in which the public can get decent accommodations on the one hand, and reasonable rates can be had with fair remuneration to the railroads on the other, and the commercial community can have stable rates, and not all become speculative and the whole business of the country demoralized, is to grant such differentials to the weaker roads as will enable them, to use a railroad word, to live.

EFFECT OF THE LAW.

The operation of the interstate commerce act is directly to give to the strong roads the whole of the business and to ruin the weak roads,

because it compels the publication of rates and it prohibits rebates, which destroys all the processes by which the weak roads used to sustain themselves and the strong roads to wink at their sustaining themselves.

The CHAIRMAN. They sustained themselves by all the tricks of the trade?

Mr. DEPEW. That is what they did; and the strong roads permitted them to do it.

The CHAIRMAN. And did the same themselves?

Mr. DEPEW. Well, only when the grievance became so serious that they had, in self defence, to teach the weaker roads that that was a weapon which might be used to their own destruction.

The CHAIRMAN. I suppose you admit yourself that before the law was passed there was a great degree of recklessness as to the management of railroads; in other words, that rebates, secret rates, drawbacks, and every other device that could be invented was practiced so that the people knew nothing about what anybody's else rate was in dealing with the railroad.

Mr. DEPEW. Except so far as it was governed by voluntary pools.

The CHAIRMAN. Since the interstate commerce law has been passed, has the condition been improved or not?

Mr. DEPEW. Yes, sir; it has been improved.

The CHAIRMAN. You say it has been?

Mr. DEPEW. Yes; but I think that if the interstate commerce act had permitted also—I do not care under how rigid regulation—the maintenance of pools, that it would have gone further and accomplished more in the line of fair and open treatment and the same treatment to everybody than it has.

THE EVILS THAT THREATEN THE RAILROADS.

Of course the gentlemen who framed the interstate commerce act and the public sentiment behind them feared that the pool would make exorbitant rates by combinatiion; but the experience of railroad men shows that the tendency and drift of the whole business of the country make that impossible. The tendency is constantly to lower rates. I do not think anything can resist it. The three evils that threaten the railway system of this country to-day are constantly decreasing rates and constantly increasing expenses.

The CHAIRMAN. What is the third?

Mr. DEPEW. Too many railroads.

The CHAIRMAN. Why should there be an increase in the expenses?

Mr. DEPEW. The railway facilities, on account of competition, are constantly increasing. The cars are better, the engines are heavier and more expensive, the trains are more frequent, the rails and bridges within the last ten years have been substantially renewed to meet the heavier traffic. There is a great difference between a 30-ton engine and a 50-ton engine and a 10-ton car and a 30-ton car. Then there is a demand for fast time. The freight train of the past ran at 12 miles an hour. Now the live-stock trains, and the dairy trains, and the dressed-beef trains run 25 miles an hour, and make what twenty years ago was express time. Well, all that increases expenses. Then the tendency of wages is constantly on the increase and has been for ten years.

The CHAIRMAN. All those things are in the interest of the people.

Mr. DEPEW. They are in the interest of the people and at the expense of the roads.

The CHAIRMAN. Still the roads are able to live, are they not?

Mr. DEPEW. Some of them live. I suppose if you take the great mass of railway capital in the United States and the return upon it, it is small in comparison with any other business which is as well managed and in which there is so much ability and energy.

RAILROADS NEVER DIE.

The CHAIRMAN. According to the testimony, no railroad can die.

Mr. DEPEW. They do not die. A railroad differs from every other thing in the world. If the legislation—and I do not mean that in any offensive sense, because I have been part of it myself—had dealt with facts instead of theories, it would have been better for all.

Take a road like the New York Central. Certain gentlemen believe they can make money by building a road alongside it. It is admitted that the rates on the New York Central are the lowest rates in the world. It is admitted that it is one of the best roads in the world in point of service. There is no demand from the shipper, from the public, from anybody, for another road; but there is a great surplus of money in New York. Bankers get large commissions for selling bonds. The bonds are issued with a bonus of stock to make them go, and are sold at 25 per cent. less than their face value. The speculative opportunity to make the 25 per cent. on the bonds, and possibly have the stock worth something besides, is a tremendous temptation.

Under the operation of the general railroad act these gentlemen can organize a road and build it, exercise the right of eminent domain, cutting up people's farms, running through their village and city streets, when there is absolutely not a scintilla of public necessity for the road. Now, if there had been free opportunity afforded the New York Central to meet that sort of thing as a business man would have met it, we would have said at once to the gentlemen who were building the road, "You will lose your money, and we will not let you construct the road; we will compete with you in such a way, free-handed, as to make your business good for nothing." Of course that would have had to be done by competing with them at the points where they touched us and living at points where they did not. But the State steps in at that point and ties both hands and says, "You shall not do that; you have got to treat everybody alike. You can not have the ordinary methods of competition in your business, because it is against the public interest."

The State is right in that, but when the State ties the hands of the investors that way, they ought to have the power in some officials to ask, "Shall the road be built? Is there any public necessity for it on the one hand, and should it be permitted to peril the investment already made on the other? Shall it be allowed the right to trespass upon private rights by exercising the right of public domain when there is no demand to justify it?"

The CHAIRMAN. I will ask you whether it is true or not that the operation of the interstate commerce law has had some tendency to check the indiscriminate building of railroads?

Mr. DEPEW. I think it has, and in that respect I think it has done very well. But I think it ought to be supplemented. Of course it is a tremendous power, and one which the legislative branch has hesitated to give. I think it has been given in Massachusetts, but they have always hesitated to give it in New York. But the power should reside somewhere in the Government to say where a new road is necessary, and whether it should be built.

The CHAIRMAN. That is so in the old country?

Mr. DEPEW. Yes, sir.

Senator BLAIR. That is so everywhere where there are no general railroad laws?

Mr. DEPEW. Yes, sir. Where there are no general railroad laws, that power rests in the legislative branch.

Senator BLAIR. Every charter has to pass the gamut for itself?

Mr. DEPEW. Yes, sir.

RAILROAD EXPENSES INCREASING.

Senator PLATT. To go back a moment, Mr. Depew; has the percentage of railroad expenses to the volume of business increased? The volume of business is very much larger than it used to be.

Mr. DEPEW. Oh, yes. Otherwise we could not live. Ten years ago the New York Central road got per ton per mile about a cent and a half. Now the rate is about $\frac{8}{10}$ of a cent. The expenses have increased more rapidly than the volume of business has increased.

Senator PLATT. That is what I want to get at.

Mr. DEPEW. We found no difficulty in paying 8 per cent. dividends at one time.

The CHAIRMAN. What dividends do you pay now?

Mr. DEPEW. Four per cent.

Senator BLAIR. You say that the expenses have increased more rapidly than the volume of business?

Mr. DEPEW. The increased volume of business and the decreasing rates make the difference. Take the volume of business on the one hand and the decreasing rates connected with it on the other, and the volume of business has not increased enough to recoup for the decrease in rates and make up for the increase in expenditures.

Senator BLAIR. So that the relation between expenditures and receipts is changing to the disadvantage of the roads?

Mr. DEPEW. It is at present; but we all look to a growth in the business of the country. Unless the mania for building new roads continues, we all look, in the growth of the country, for an increase in the volume of business.

Senator PLATT. The decrease in rates is forced by business sentiment, I suppose?

Mr. DEPEW. Yes; it is business sentiment which causes decrease in rates.

Senator PLATT. The shippers say they must have a lower rate, do they not?

Mr. DEPEW. The rate is governed for the railroad by the foreign demand, by the home market, and by competition of the water-ways. But there is another force constantly reducing rates. Even where pools and the very best of relations exist between roads, each road must necessarily take care of the business transacted on its line.

Now, if there are certain kinds of milling and of manufacturing on the line of the New York Central which reaches points in competition with the same class of business on the lines of the Baltimore and Ohio and of the Pennsylvania, our people tell us that they can not live and compete in those markets unless they have more favorable rates for their raw material and for their manufactured articles, and as the competition between the producers lowers their prices ours go down correspondingly.

The CHAIRMAN. Necessarily, in order to keep them alive?

Mr. DEPEW. Yes, sir.

Senator HISCOCK. Do you mean this, that if there is a manufacturing industry located at a place on your road, and the products of it have got to be carried to points elsewhere and enter into competition with the products carried upon other roads and other lines, you give rates to that industry which enable them to carry on that business at that point?

Mr. DEPEW. Yes, sir.

Senator PLATT. Being forced to reduce the rates increased the expenses largely, did it not?

Mr. DEPEW. Yes, sir. You see you have to do a larger amount of business to get the same amount of money. You can not do the larger amount of business at the same expense.

SHUTTING OUT THE CANADIAN ROADS.

The CHAIRMAN. You intimated a while ago, I believe, that without this differential you did not see, except on the supposition that they recoup on their own people, that the Grand Trunk could live and do business in this country?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. Now, suppose that any legislation should be enacted by the United States that would cut them off from doing business in the United States, what would you think about that?

Mr. DEPEW. I never favored that, and I say that entirely independent of our relations to the Grand Trunk Railroad.

The CHAIRMAN. Suppose we do not do that; what is there, in your judgment, that the United States can do that will compel the Canadian roads, in doing business in the United States and in their own country, to obey the same law that your road does or the American roads do?

Mr. DEPEW. I would suggest that you increase the powers of the Interstate Commerce Commission.

The CHAIRMAN. In what way?

Mr. DEPEW. By giving them the power to cut off the Canadian roads under proper Treasury regulations.

Senator REAGAN. The Commission has that power now under the interstate commerce act.

Mr. DEPEW. Yes, sir; unless the Canadian roads will not only conform to the provisions of the interstate commerce act in the United States, but to such regulations as the Interstate Commerce Commission may think necessary in order to make them obey the law equalizing their operations with American roads and making it a condition with the Canadian roads that they shall subject themselves in Canada as well as in the United States to the inspection and examination of the Interstate Commerce Commission and its agents.

Senator REAGAN. Do you think we have that power?

Mr. DEPEW. I think we have the power to cut them off, and we would cut them off unless they did it.

THE CANADIAN PACIFIC.

You see the Canadian Pacific is not completed yet. It is an enormous system. I understand that it received a subsidy to the amount of sixty or seventy millions of dollars, the most enormous subsidy ever granted by a government. It will probably be in a condition from its relations with the Canadian Government to operate its road, whether it earns

money or not. Of course, being protected by the Government in that way, it will make all the money it can out of the Canadian people. At the same time it will seek to fill up its cars by products of the United States, and such a road as that ought certainly to be put under the power of the Interstate Commerce Commission in such a way that the Commission may enforce its rules or drive the road out of the country.

Senator REAGAN. Your idea is that, in addition to the provision that now exists, authorizing the cutting off of Canadian roads, that a provision be inserted authorizing the Commission to force inspection at the border.

Mr. DEPEW. Yes, sir; from what I know of the Commission, I do not believe that they would object either.

The CHAIRMAN. Are you familiar with the feeding lines of the Canadian Pacific in the United States?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. Where are they?

Mr. DEPEW. The Canadian Pacific are building a line now to reach Detroit, and when they get to Detroit they are substantially in connection with all the lines; and they have secured, I understand, the two lines to the Sault Ste. Marie from the West and Northwest.

Senator PLATT. Where is that line being built?

Mr. DEPEW. They are now, I think, at St. Thomas, and another line is nearly completed to the Detroit River.

THE QUESTION OF RATES.

Senator BLAIR. What are the American people going to say when we so legislate that they must pay a dollar for the carriage of traffic through the United States that they can now get done for fifty cents by going through Canada, and the Canadian roads want to do the business?

Mr. DEPEW. Well, I do not think it is necessary for you to legislate to accomplish any such result as that in order to reach this difficulty. It certainly seems a monstrous case that you have here in the United States almost eight thousand million dollars invested in railways which are subject to our laws, which pay their taxes, which help support the Government, and are therefore entitled to a measure of protection, which are in return regulated and supervised as semi-public bodies, and yet that the Government itself should take their taxes and then permit the roads of a foreign country, which contribute nothing to the support of our Government, owe it no allegiance, are not owned by our citizens, and in case of war would be used against us to emasculate our own properties.

Senator BLAIR. I know it seems like a crime; but the question is, will the people be willing to pay a dollar for what they can get now for 50 cents?

Mr. DEPEW. No such result need be feared, and if the people would permit the American roads to take this matter in their own hands they would settle matters very quickly with these Canadian roads; very soon if it came to that point.

Senator BLAIR. The idea is that the same effect is produced that would be produced were they exempted from the operation of the interstate commerce act.

Mr. DEPEW. That is precisely it. Here is one great trunk line, a Canadian one, exempt from the operation of the interstate commerce act and the American lines subject to it. If there were a great through

trunk line from San Francisco to New York and Boston, so subsidized by the United States Government that it did not have to earn anything, and then relieved from the operations of the interstate commerce act, you would then produce on American soil these conditions that exist in Canada.

THE ONLY ALTERNATIVES.

Senator BLAIR. Is there any other remedy than to repeal the law or subject the Canadian roads to the same legal control as the United States roads?

Mr. DEPEW. There is none.

Senator BLAIR. That is political union, is it not?

Mr. DEPEW. We do not want the law repealed. I should regard it as a great calamity to the railroads of the United States and to the people of the United States to repeal that law.

Senator BLAIR. Then you must extend the interstate commerce act to Canada as well, must you not?

Mr. DEPEW. Yes, sir.

Senator BLAIR. Then, you must control Canada; make laws for it?

Mr. DEPEW. No, sir; only so far as the Canadian road transacts business in the United States.

Senator BLAIR. But if you prohibit the Canadian road from doing business in the United States the American people have got to pay $1 instead of 50 cents for the same service.

Mr. DEPEW. No, sir; not even if the Canadian roads went out of business.

Senator BLAIR. But they may prefer union to annihilation.

NOT A QUESTION OF RATES.

Mr. DEPEW. I think if the Canadian road did not carry a ton of American products or a passenger, and stopped doing so on the 1st of July, that from that time out the American shipper and the American traveler would not pay a dollar more than they do now.

The CHAIRMAN. You believe that is so?

Mr. DEPEW. I do, and for this reason, that the Canadian road is managed by able men; it wants to do business in the United States; that is just so much of a surplus to its regular business. Those able men know that it can not do business in a constant war with the railroad system of the United States, and therefore they are entirely in accord with the railway managers of the United States in such associations as we are permitted to form; and, as I said before, they live up to the agreements very well. There is no dollar, therefore, nor no penny to the shipper of the United States by the business which the Canadian road transacts, or the tonnage which they carry, or the regulation which they have upon our rates.

But what we complain of is that they should have the power, if they choose to exercise it, to do things that we can not do, to recoup where we are tied up, and to accomplish in Canada, free from the restrictions that bind us, things that give them an advantage which, if we do, is a penal offense.

Senator HARRIS. In connection with that precise view of the question what I desire to ask you is, if you doubt that if we should adopt such legislation as makes it a condition precedent to the Canadian roads doing business at all in this country that they shall agree to conform

strictly to the same regulations that apply to our own American roads, in Canada as well as in the United States, in respect to this competitive traffic—have you any doubt that there is a Canadian road that would hesitate a moment to accept those terms?

Mr. DEPEW. No, sir; I think they would accept it at once.

Senator PLATT. There is a popular impression that by reason of this Canadian transportation of American products New England and other portions of the country get their freights cheaper.

Mr. DEPEW. I know that is the popular impression.

Senator PLATT. Do you think that the American roads would not take advantage of it to increase rates, even though that traffic through Canada should be regulated in accordance with our law?

Mr. DEPEW. I would reply in the negative. But just see what your proposition is. It seems to me to be the same proposition made by Senator Blair—a frightful attack upon the interstate commerce act itself.

Senator BLAIR. I was not asking any questions with reference to the effect of the act.

Mr. DEPEW. I know; but the effect of the proposition is this, that under the interstate commerce act the people of the United States will be mulcted in large sums for unreasonable charges for freight unless there be some roads that can violate the law.

Senator PLATT. I did not ask the question because that was my belief about it, but was simply speaking of what is a popular belief.

Mr. DEPEW. I know; but the popular belief, if you reduce it to a proposition, is, that the only way to reduce rates is to have some road that can violate the law with impunity.

The CHAIRMAN. Do as they are a mind to?

Mr. DEPEW. Yes, sir.

Senator BLAIR. Is not that so now?

Mr. DEPEW. No, sir; it is not.

Senator BLAIR. Why not? That is to say, if there is a road that violates the law, is not the force of your testimony that the road operating in violation of the law can carry traffic cheaper than the one that conforms to the law?

Mr. DEPEW. On that proposition I am still an American.

Senator BLAIR. We are all Americans.

Mr. DEPEW. If it is necessary, in order to get reasonable and low rates to the shipper in the United States, to permit some road to violate the law while the rest are to be bound by it I want the New York Central to be that road.

Senator BLAIR. I have not any objection to the New York Central being that road, if there is to be any. But is it not a fact that if most of the roads conform to the law and one be excepted that the excepted one has an advantage?

Mr. DEPEW. Yes, sir; it has an advantage.

Senator BLAIR. And by having the advantage it can give cheaper rates?

Mr. DEPEW. It can.

Senator HISCOCK. Do you not lose sight of the power of the Interstate Commerce Commission over excessive rates?

THE QUESTION AS IT EXISTS.

Mr. DEPEW. There is no such thing as excessive rates. We have got to take this question practically as it actually exists. The Canadian roads want to do business in the United States. Now, even if they are

relieved from the operation of the interstate commerce law, they can not do business in hostility to all the roads of the United States. Therefore the managers of the Canadian roads who are business men, pure and simple, without any sentiment whatever, come into our conferences, and they say, "We want to act in thorough harmony with you and secure such a share of this traffic as is fair and reasonable with our conditions and by your consent. If we can make that arrangement—and we will not be unreasonable—we will live up to tariffs, and we will agree upon tariffs."

Now, I never yet have found in any of our associations a Canadian road anxious to reduce tariffs. I never have heard of such a proposition from a Canadian road. They are always in favor of advancing rates. The only benefit the people of the United States get from the operation of a Canadian road which is entirely free from the penalties of the interstate commerce act and its provisions is not to them as a whole, but to certain favored people, and they are always the large shippers who are crushing out the small ones. The Canadian road can guarantee advantages by way of rebate and secret profit, secret return, or drawback, which will give a lower rate possibly to one or two or three favored individuals, but not to the shippers generally of the United States. But you come back immediately, when you relieve the Canadian roads from the operation of the act in order to secure lower rates for the people of the United States, to the conditions which this law was enacted to amend and improve; that is, a system of rebates and secret favors which build up the few and crush out the many.

THE REMEDY PROPOSED.

The CHAIRMAN. State again, Mr. Depew, exactly what you think ought to be an amendment to the present interstate commerce act in order to protect American interests as against Canadian interests.

Mr. DEPEW. I have already said what I think is necessary, which is the enlargement of the powers of the Commissioners, so that they can very properly say to any foreign road, whether Mexican or Canadian, "If you wish to do any business in the United States the condition is that you shall conform to our act."

Senator BLAIR. You do not mean to say that they shall ask the same for the service rendered as the American roads?

Mr. DEPEW. Simply that they shall conform to this law.

Senator BLAIR. That has nothing to do with the regulation of the rate?

Mr. DEPEW. No, sir.

Senator BLAIR. Now, then, let us get on this broad platform of equity. Is it not possible and is it not sure that those Canadian roads, having the shorter lines——

Mr. DEPEW. They have the longer lines.

Senator BLAIR. Well, the longer lines, then, but built at the expense of the government, necessarily doing business as all roads do until they are worn out—is it not sure that under those conditions, being in a situation to compete to their advantage and to the ruin of American roads, that they will still put the price so that they will do the business?

Mr. DEPEW. No.

Senator BLAIR. That is the point that is troubling my mind. I supposed that being subsidized roads, built for nothing, capital furnished, and exempt from taxation, as their own country develops by tapping the prosperity of our own, by and by they will defy these great Ameri-

can corporations, being more powerful themselves than any of them, and the original investment being nothing, while they have the results in transportation capacity, that they would take the business from the American roads.

Mr. DEPEW. That is a very broad question, Senator, and involves speculations for the future.

Senator BLAIR. Well, I think the whole thing relates to the future.

Mr. DEPEW. And there are a good many factors that govern it. If the Canadian Pacific Railroad, subsidized to this enormous extent, were protected by the Government so that it need not earn anything whatever, then it would be enabled to do business in the United States under conditions which would seriously injure our American railroads and their investments. It would dictate to the American roads precisely the amount of business which it should take, with the threat that if it did not get it, it would destroy the whole business of the American roads.

Now the safety that the American roads have against that condition is the condition of Canada itself. I understand that the settlement along the line of the Canadian Pacific has not met at all the expectation of the projectors of the road nor the expectations of the statesmen of Canada who advised Canada to assume this burden, and therefore the road is not likely to become rich enough, from the business which originates on its own line, to do anything very aggressive.

Then I understand that the governmental conditions in Canada, present and prospective, are not such that the treasury can be absolutely relied upon for any large drains for the future.

Senator BLAIR. But it has already built the road.

Mr. DEPEW. Yes, sir.

Senator BLAIR. Would there not perhaps be some possibility of protection in the fact that gradually the stock of the Canadian Pacific will fall into the hands of those who paid liberally for it, and that the necessity of furnishing them dividends in the future will be a protection?

Mr. DEPEW. Yes.

The CHAIRMAN. You do not favor the absolute cutting off of foreign trade in this country; that is, I mean to say, you are not opposed to the building of lines into this country by these Canadian roads and using them, provided they comply with the same regulations that govern American roads?

Mr. DEPEW. Not at all, and for two reasons. One is the business reason, that I do not think it would be good policy to cut them off, provided they comply with the same conditions as our own roads. The other is the sentimental reason, that if you did cut them off the sentiment that the Canadian roads reduced the price to the shippers would be an increasing sentiment always, and would lead to charges against the American roads which were not true, and which, as a representative of part of them, I would rather not share.

BUILDING ROADS IN CANADA.

The CHAIRMAN. There has been no obstruction to their building roads into this country by any of the States.

Mr. DEPEW. None whatever.

The CHAIRMAN. They have been given charters whenever they asked for them.

Mr. DEPEW. Yes, sir; they have.

The CHAIRMAN. Suppose you desired to build a road through any portion of Canada, would you have any difficulty in doing so?

Mr. DEPEW. I think we would.

The CHAIRMAN. You say you think you would?

Mr. DEPEW. Yes, sir, I do.

The CHAIRMAN. Why is that?

Mr. DEPEW. There is no general railroad law in Canada. Every road has to be built under a special act of Parliament, and if the road which it was desired to build by American lines was competitive with the Canadian system of roads I do not think that the Parliament of Canada would grant the charter.

Senator HISCOCK. Especially if they were subsidized roads.

Mr. DEPEW. Yes, sir. There is a contract with the Canadian Pacific by the Canadian Government that it will not permit roads within their territory at all.

The CHAIRMAN. Within a hundred miles of either side of the line.

Mr. DEPEW. Yes.

The CHAIRMAN. Now, it is a fact that we probably have more railroad lines in the United States than all the balance of the world.

Mr. DEPEW. Yes, sir; there is no doubt about that.

The CHAIRMAN. And that our enterprising men have been building roads through the Northwest and West and through the Rocky Mountains and over them to a very great extent, probably unsurpassed by any other country in the world. Now how does it happen that there is no disposition, apparently, or no effort made to build roads into this Canadian country by American people?

Mr. DEPEW. I think the reason is that we have had plenty of land in our own country that we could develop by immigration. Our railroad constructors knew that the immigrant would come to the United States who would not go to Canada. It is so along the Canadian line through the Manitoba district. The colonists, who are a valuable acquisition to us, who come here with some money and experience and household implements and take up land and make it productive at once—you can not get those people to go to Canada, but they will come to the United States.

The CHAIRMAN. You think that is the substantial reason why roads have not been attempted to be built by American capital into Canada as compared with the effort that has been made in the northwestern part of the country which has not been settled up?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. Is it not true that there are a great many roads out West now that have no substantial business along the line of the railroad to support them?

Mr. DEPEW. A great many roads have been built in the West for the purpose of selling bonds.

The CHAIRMAN. Could not that be done in building a road through Canada just as well?

Mr. DEPEW. No; the American investor will not touch a Canadian bond. It is difficult to sell Canadian bonds in England. A Canadian railroad is projected, and the promoter goes on the London market. It is a home matter, and the English banker and investor look at the matter with great care, and they have got to absolutely demonstrate returns or a government subsidy or they can not sell their securities. But so much money has been made in the purchase of American bonds, while proportionately little has been lost, and there is such a feeling all over the world as to the limitless possibility of development here, that if an American

road has any sort of backing there is no substantial difficulty in disposing of its securities.

The CHAIRMAN. And that is not true as to the Canadian bonds?

Mr. DEPEW. No, sir.

The CHAIRMAN. I have always supposed that one of the reasons, and possibly a pretty strong one, was in the fact that American enterprise was not encouraged in Canada in building railroads through their country.

Mr. DEPEW. I understand the Canadians do not desire it, and I am quite sure that if a syndicate of American bankers, investors, railroad men, business men, etc., should want to build a system of roads in Canada they would not be permitted to do it.

I am very sure that if the Northwestern American lines which now come down to Duluth and Minneapolis wanted to build through Canada to connect with the systems on this side, free from the Canadian Pacific, the Canadian Parliament would not permit it to be built.

Senator BLAIR. The railroads there would not permit it any way.

Mr. DEPEW. Parliament would not permit it, nor the railroads either. The roads and the parliament are nearly one.

TRAFFIC ARRANGEMENTS.

The CHAIRMAN. Going back to the pooling question, as I understand it, you have an arrangement now, just as you had before the interstate commerce act passed, but it does not reach to all the points of operation that it did then, by which you came to these agreements practically to control rates on freights.

Mr. DEPEW. Yes.

The CHAIRMAN. Do you think that the agreement now existing between these trunk lines is entirely within the scope of the interstate commerce act?

Mr. DEPEW. Yes, sir; entirely. There are no penalties.

The CHAIRMAN. You do nothing that is interfered with, or attempted to be, by that law.

Mr. DEPEW. No. The first provision of our agreement is to obey the law and to provide the machinery for its enforcement. We have a vast and expensive system of returns from every shipping point in our territory to Mr. Fink's bureau, the object of which is to know constantly, from day to day, precisely what the rates are and what the tonnage is from every point within the territory to the sea-board, or from the sea-board to every point in the territory. This system detects a rebate at once; the object of it is to detect at once any rebate or secret advantage or any violation of the law. Our instructions to the commissioner are to inform the Interstate Commerce Commission when he finds out through his machinery any violations of the law and who is the party violating the law.

The CHAIRMAN. What is the effect, so far as your knowledge extends and so far as you believe, as to the enforcement of the act?

Mr. DEPEW. There is no doubt that prior to your last amendment, imposing penalties of a penal character upon a shipper and officer alike, the act was disregarded, not generally, but to a considerable extent, west of the Mississippi River, and in the South very largely. In New England and in the territory east of Chicago the act was very well obeyed, but the lines that did live up to it kept constantly discovering diversions of business that could occur only by violations of the act. The lines which obeyed the law best suffered the most in loss of

traffic to the roads violating the law. There was a premium upon law breaking.

Since the penalty clause has been inserted the act has been much better lived up to, but it requires not only the voluntary machinery of the Trunk Line Association and of the Central Traffic Association, but it will require much more than that to thoroughly enforce it. It will require the prosecution and conviction of a fellow occasionally.

The CHAIRMAN. Otherwise they will drop back again into a disregard of the law.

Mr. DEPEW. Yes, sir; some of the boards of trade at central points, before the penalty clause was enacted, refused by unanimous votes to allow inspectors of the roads to examine their books and ascertain if there had been any rebates paid.

LEGALIZING POOLING.

My opinion, Mr. Chairman, is that this law will never be thoroughly enforced and its operation absolutely effective until in some form and under some other name you have a legalized pool.

The CHAIRMAN. You believe that is the only way to secure its thorough enforcement?

Mr. DEPEW. Yes, sir. The one object of the governmental part of this railroad machinery is to secure for the people stable rates and reasonable rates. The evil of an unstable rate is so great that it needs no argument. Unstable rates simply demoralize the whole business of the country. They ruin every calculation a business man may make. They transform all business men into speculators and ultimately center the whole business of the country in the hands of a few people.

Now the pool prevents that by the roads, great and small and strong and weak, arranging among themselves divisions of traffic. The weakness of the pool has always been that it could not enforce its agreements. If it had in some way the support of the Government, by which the contract could be enforced, then it could maintain its agreements.

The only argument against the pool is that it makes a universal combination which would lead to exorbitant rates. Now the Government can regulate that, on the other hand, by enactments equally rigid in that respect.

The CHAIRMAN. So that your idea is that there ought to be some power given to the pool to——

Mr. DEPEW. If you will allow me, Mr. Chairman, I am almost prepared to say that a legalized pool on the one hand, and no rate to be put in force that does not receive the sanction of the Interstate Commerce Commission on the other, with the penalties of the act attached to both provisions, would be a good thing for the people and the railroads.

Senator BLAIR. Repeat that.

Mr. DEPEW. I am almost prepared to believe that a legalized pool on the one hand, under which the railroads can form an agreement for the maintenance of rates, and on the other hand reasonable rates be insured by providing that no rate be put in force until approved by the Interstate Commerce Commission, with the penalties of the interstate law attached to violations of the pool, and the tariff approved by the commission, would be a good thing for the people and the railroads.

Senator BLAIR. Let me see if I understand you. You say that if the law were such that the roads and some representation of the people could fix the tariffs and then enforce their continuity and steadiness, that such a law would be the best law you could have. Is that correct?

Mr. DEPEW. No, that is not my idea. The Government could not fix the tariffs.

Senator BLAIR. I mean in connection with the roads.

Mr. DEPEW. But what I mean is this. On the one hand let us have a legalized pool, so that these roads could agree among themselves.

Senator BLAIR. That is all right, only the pool might make the tariff too high.

Mr. DEPEW. Then it is for the Interstate Commerce Commission to say that the rate is too high and for them to cut it down.

Senator BLAIR. The point is this, that the Government and the pool agree what the tariff shall be, and the Government enforce the contract or pool. Is that correct?

Mr. DEPEW. Yes.

Senator REAGAN. To avoid the difficulty of building new roads, would it not involve the necessity of some power to limit the construction of needless roads?

Mr. DEPEW. Not necessarily in connection with that, but that power ought to exist.

Senator REAGAN. If differentials are allowed to all roads competing for freight under such an arrangement as Mr. Depew mentions, in order to make the scheme which he presents successful, would it not be necessary to accompany it with a power lodged somewhere to limit and prevent the construction of needless roads? If that is not done, why not build new roads to levy tribute upon existing roads and divide the traffic with them?

Mr. DEPEW. Well, there is a good deal of force in that, and yet I think that we could get along with the new road, but we infinitely prefer to have the Government say whether the road is necessary or not.

Senator PLATT. The Government could not do that.

Mr. DEPEW. But the States ought to take it up as matters are now. The public now look at it in one way. The public see the existing roads are trying to prevent competition, but it seems to me, if the existing roads absolutely fill all the public demands, that the people whose rights are destroyed by their property being taken by a road for which no necessity exists——

Senator BLAIR. And they have got to be taxed to maintain it.

Mr. DEPEW. Yes, sir—should be able to say to the State "there is no necessity for that road." There should be some tribunal to decide the question whether the road should be built or not. There ought to be some tribunal to which they could appeal.

THE EXCHANGE OF CARS.

The CHAIRMAN. This is a little aside of the main question, but still I think it is a question there ought to be some legislation on, perhaps. Do your cars go into Canada?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. Are they loaded by your road and sent there?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. They are loaded by your road and sent there with goods?

Mr. DEPEW. Yes.

The CHAIRMAN. Do they stay there indefinitely or come back immediately?

Mr. DEPEW. They come back.

The CHAIRMAN. What is the actual situation with reference to Ca-

nadian and American cars; are they used indiscriminately in the two countries?

Mr. DEPEW. Yes, sir; indiscriminately among the lines. The Canadian roads are united in freight lines, to which each road contributes a certain number of cars. There is the Midland Line, the Blue Line, the Red Line, the White Line, and all those lines, and the cars of those lines go interchangeably.

The CHAIRMAN. As you understand it, I suppose, under the regutions of the Treasury Department of this Government, and possibly under some law of Canada, goods in transit back and forth between the two countries and the cars are free of duty?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. But it has been a question whether there is any law authorizing cars to go through without paying duty?

Mr. DEPEW. There has been some controversy on that point.

The CHAIRMAN. Now, admitting that the cars have a right to come from Canada directly to New York for the purpose of bringing a car-load of goods, yet there is no law, I take it, that would allow those cars to be used anywhere over the country in the United States, and our cars going into Canada to be used anywhere there without paying duty as they go back and forth.

Mr. DEPEW. I suppose there is no law, but in the practical operation of the roads the cars are interchangeably used precisely in Canada as are cars in this country, as if Canada and the United States were adjoining States. I had that matter called to my attention by an order issued recently by the late Secretary of the Treasury prohibiting Canadian cars entering the United States without paying duty. I made a very earnest appeal to the Secretary of the Treasury on the subject, because if that order had been carried out it would have broken up the whole traffic. It would have been just the same as a withdrawal of the privilege by which the goods come through now in bond, and the Canadian roads are permitted to do business, and the Secretary suspended the operation of the order. I believe that the question has been revived by the present Secretary of the Treasury.

The CHAIRMAN. There is probably a hearing going on now, or about to go on, before one of the Secretaries of the Treasury on this subject. That is the reason I wanted to secure whatever information you have in reference to it.

Mr. DEPEW. The operation of it would be to deprive the Canadian roads of the use of their cars in United States business. They would have to use the cars of their connecting lines or else unload at the border, and it would be impossible to do that and compete for the business.

The CHAIRMAN. You do not suppose that if there were a law allowing the cars to go through, car-load bonded, and the car comes to New York, for instance, that you would have the right under the law to let that car go off and do business in the United States, or, if at the other end, to go off and do business anywhere in Canada and, then come back again?

Mr. DEPEW. The practical operation is this, Senator. All these roads do their business by the freight lines. The freight line is a voluntary organization of the roads themselves. Each road in the line puts in a certain proportion of cars, and those cars are painted the color of the line and are marked with the name of the line or some initials to indicate the cars that belong to the different parts of the combination in case of a breaking up of the line.

Now, those cars go everywhere in Canada and everywhere in the United States where the line runs, and are very often, in slack of business, when there is not enough of through business to occupy them, used by the road on which the cars happen to be for their local business.

The CHAIRMAN. In other words, there are many Canadian cars in this country that are scattered around here, and many United States cars in Canada that are scattered over the Dominion; and they have probably more of our cars now than we have of theirs.

Mr. DEPEW. Yes; but as to the actual number, it depends upon the situation at a particular time. How is that, Mr. Hickson?

Mr. HICKSON. I think we use ten American cars to one Canadian car used here.

The CHAIRMAN. So that there are more cars belonging to United States roads in Canada than there are Canadian cars here?

Mr. DEPEW. That necessarily would be so.

Senator REAGAN. Have you a system of accounts so as to know how to credit a car with the number of miles it runs when out of its own territory?

Mr. DEPEW. Yes, sir; we have.

Senator PLATT. How far east does the San Francisco business which is bonded up to Fort Moody come? Does it come clear through to New York?

Mr. DEPEW. I think it does.

The CHAIRMAN. You railroad gentlemen here, representing the different lines, have some sort of an arrangement by which you gather in your cars, have you not?

Mr. DEPEW. We have a car accounting division, so that we keep run of them. We have a large bureau of fifty clerks at the New York Central depot whose sole business is to keep the run of every car in our service, where it is, and its mileage on the different lines.

The CHAIRMAN. What is the mileage of your cars now on other roads or on other lines?

Mr. DEPEW. The mileage has been constantly diminishing. The average mileage is twenty-seven miles per day.

The CHAIRMAN. I mean what do you get for the use of your car? Is it three-fourths of a cent a mile?

Mr. DEPEW. It is three-quarters of a cent a mile. One hand about washes up the other. You see if it were not for this system of freight lines, by which each road contributes its share of cars the traffic of the country could not be done.

The CHAIRMAN. Are you familiar with the situation on the Western border of the country, as to the proportion of freight that the American lines get in comparison with the Canadian Pacific?

Mr. DEPEW. Do you mean on the Pacific coast?

The CHAIRMAN. Yes; I mean west of Chicago, clear through to the Pacific coast.

Mr. DEPEW. As yet I think the American lines get the larger proportion, but I really could not tell definitely. I have only an impression, and not the data.

THE COASTWISE TRADE.

Senator PLATT. We do not allow any foreigner to do a coastwise business?

Mr. DEPEW. No, sir.

Senator PLATT. It has to be done in American vessels?

Mr. DEPEW. Yes, sir.

Senator PLATT. Why should we not then apply the same rule to the border line and have the business done on American cars? Where is the difference in principle?

Mr. DEPEW. The principle is the same, but there is no principle that governs railway operations. [Laughter.]

Senator BLAIR. Is there not a necessity——

Mr. DEPEW. If Senator Platt's proposition were carried out the Canadian Government would retaliate and say that no American car shall run into Canada while we say no Canadian cars shall run into the United States. Then you have accomplished the purpose of the gentlemen who wish to cut off the Canadian roads; the traffic is stopped, and that ends it. If the Canadian roads had to transfer its traffic at the border they could not stand the burden, and if the American road had to transfer its business at the border it would not send through Canada except it received a considerable concession for doing so.

Senator HARRIS. In effect it makes the border the terminal of both lines.

Mr. DEPEW. Yes, sir; it destroys the through line.

Senator HISCOCK. There is this difference, that the proportion of cars is ten American cars to one Canadian car interchanged. Now, if the same thing exists in reference to our coastwise trade and the proportion of vessels be ten American to one foreign we would probably not be so particular about it.

Mr. DEPEW. No, sir; you take a line like the New York Central of about 450 miles in length and the Canada Southern—how far is it, Mr. Hickson, from the Niagara frontier to the Detroit River?

Mr. HICKSON. Two hundred and twenty-five miles.

Mr. DEPEW. Two hundred and twenty-five miles, and then the Michigan Central of 300 or 250 miles. Then in the same line you put all the roads running to the southwest from Detroit, and the Canada Southern is only one-tenth of the mileage. I take it that the Grand Trunk proper in Canada is not over one-tenth of the mileage of the lines with which it connects.

Mr. HICKSON. A little more, perhaps.

Senator PLATT. Do you not believe we would be better off to-day as American people, as United States people, if this system had never sprung up of allowing goods destined to points in the United States to go through Canada?

Mr. DEPEW. If we had to go back to that, I think I should say yes.

Senator PLATT. But having sprung up, do you not think it ought to be stopped?

Mr. DEPEW. No, sir; I do not think you could stop it.

THE QUESTION OF POOLING.

Senator HISCOCK. Recurring to the question of pooling; as I understand it, pooling was prohibited because it was supposed that it was a means of agreeing upon excessive rates by the railroads.

Mr. DEPEW. Yes, that was the sole reason for prohibiting it.

Senator HISCOCK. Now, as I understand it, your pool in respect to rates, or your agreement, rather, in respect to rates, is just as perfect now as it ever was——

Mr. DEPEW. Just the same.

Senator HISCOCK. That so far as the law is interfering with an arrangement between the trunk lines in respect to rates, that is done now

the same as it always was done, and the only difference between the present system and the old system is that you can not make a division of the freight which each trunk line is to take. The result is that there is always an inducement on the part of rival trunk lines to cheat in some way in getting an excess of freight.

Mr. DEPEW. We are deprived of that part of the pool which enabled us to pay a road not to give a rebate or advantage to some shipper or locality.

Senator HISCOCK. That part of the pool is prohibited which removed the inducement to cheat and to cut under and to give to large freighters, large concerns which ship an immense amount of freight, an undue advantage. That is prohibited, and that is the only part of the pool which is prohibited.

Mr. DEPEW. That is the only part of the pool which is prohibited.

Senator PLATT. Well, that was all there was in the pool.

Mr. DEPEW. Yes, sir; that was practically all there was in the pool.

Senator HARRIS. The testimony of the President of the Erie railroad yesterday developed the fact that under the operations of the pooling system that existed prior to the passage of the interstate commerce act that road received $500,000 annually which it did not earn but which was contributed by the other carriers under the operation of that pooling system. Now, that being true, does it not show conclusively that the shippers of this country had to pay $500,000 a year, not for services performed in the carrying of products or merchandise, but in order to sustain a road that was, perhaps, unnecessarily in existence? In other words, does it not show that the other carriers who contributed that $500,000 had to charge rates to enable them to contribute it, which would have been unnecessary if it had not been compelled to so contribute?

Mr. DEPEW. That was not the practical operation of it, Senator. It did not affect the rate at all. The rate was agreed upon entirely independent of any consideration to be paid to the Erie road, but the Erie road said, "Our conditions are such that we can not maintain that rate, or any equal rate. Whatever rate you fix we have got to charge a certain percentage under it, in order to get what we think our share of the business, and unless you make up that percentage we will keep going below what you charge." That kept up until we gave that certain percentage; so that the shippers of the country were not taxed that amount. It made no difference to the shipper what sum was allowed the Erie road. It was a contribution that came from the other carriers in order to have any rate at all.

Senator HARRIS. That I understand to have been the motive for allowing the road half a million a year for services not performed. But let me put my question in a little different way. If, under the rate fixed by your road, you could contribute your proportion of that $500,000 a year, if you were not compelled to so contribute, would you not have been justified, and would it not have been your duty, to have fixed a lower rate to the public than the rate you did fix?

Mr. DEPEW. It did not come to us in that way. Let me illustrate. The five roads meet. They say what is a living rate, for instance, on grain from Chicago. The unanimous agreement is that a living rate and one that can fairly be maintained against a competition of water would be 25 cents a hundred. Now the Erie road says: "We agree with you that 25 cents a hundred is a proper rate, but we can not get business at equal rates, and therefore we can not get what we regard as our share of the business. Therefore we want a concession made to us, either in

the privilege of charging 2 cents a hundred less than you do, or else receiving what that amounts to in money. If you do not do that, if you fix the rate at 20 cents we will charge 18 cents; if you fix it at 12 cents we will charge 10 cents; if you fix it at 8 cents we will charge 6 cents, and if you fix it at 5 cents we will charge 3 cents. We will equalize this matter by charging 2 cents a hundred under you, no matter what your rate may be." So that the effect of the demand was not to affect the rate itself at all. We simply met not a theory, but a condition.

Senator BLAIR. Did the Erie road do business at the same rate that you did under this arrangement, or did it charge the lesser tariff at the same time?

Mr. DEPEW. It has the same tariff, but it was guarantied a certain amount of tonnage. That tonnage was arbitrarily transferred to it.

Senator BLAIR. And now, instead of getting the $500,000 a year it charges the lesser rate?

Mr. DEPEW. It charges the same rate.

Senator HARRIS. Your road was a member of that pool, was it not?

Mr. DEPEW. Yes, sir.

Senator HARRIS. And as such member did it contribute to that $500,000?

Mr. DEPEW. I think Mr. King made a mistake in stating that it was paid in money during this whole period. For some time tonnage was arbitrarily transferred to the Erie road. After that money payments were arranged for. When he speaks of being behind $500,000, what he means is that, under the operation of the interstate-commerce act and the maintenance of equal rates, the differential which he has has dropped his percentage. Even with the differential his percentage has dropped down so that he has $500,000 less in his treasury than he would have had under the old arrangement, where his percentage had been maintained by the arbitrary transfer of freight to his line.

Senator GORMAN. That was his statement exactly.

Senator HARRIS. I call your attention to the fact that Mr. King's statement was distinct, in answer to a question propounded by the chairman, as well as a question propounded by myself, that the $500,000 was paid his road—well, to use his own language—for being virtuous. He further explained, in answer to additional question, that it was paid not for service performed, it was paid not for any work or earnings of his road, but paid under the pooling agreement. So that my understanding of Mr. King's statement is the payment of that sum of money by the pool, paid month by month.

Mr. DEPEW. That was correct during part of the period.

Senator HARRIS. Then, if I understand your statement, there was no contribution of money actually to that road?

Mr. DEPEW. His road was allowed 18 per cent. in the division of tonnage. Mr. Fink would report at the end of the week that the Erie had only got 16 per cent., and that the New York Central was over 2 per cent. Then we arbitrarily transferred to Mr. King's road that amount of tonnage. If the Pennsylvania was over 2 per cent. it transferred that amount to him.

Senator BLAIR. But where did the money come in?

Mr. DEPEW. The money came in the handling of that tonnage.

Senator BLAIR. Did the Erie get the money without doing the work?

Mr. DEPEW. The Erie did the work. It got the tonnage; only it was not entitled to so much tonnage. It was tonnage intended to go by our line, and we sent it by that road.

Senator HISCOCK. The money went into his treasury?

Mr. DEPEW. The money went into his treasury, but we did the work.

Senator HISCOCK. The money went into his treasury from the other roads, rather than it went directly into his road from the shippers themselves?

Mr. DEPEW. Yes, sir.

Senator BLAIR. They shipped over your line, and you sent it over the Erie?

Mr. DEPEW. Yes, sir.

Senator HISCOCK. And paid the Erie for carrying it.

Mr. DEPEW. Yes, sir.

Senator BLAIR. You hired another man to do the work, that was all.

Mr. DEPEW. Yes, sir; we paid another man for doing it.

CANADIAN STEAM-SHIP LINES.

Senator GORMAN. Suppose the conditions applying to the American roads were applied to the Canadian roads and the Canadian roads came under the supervision of the Interstate Commerce Commission and they were forced to accept them, how much advantage would they still have by their arrangement with the steam-ship lines, say with respect to freight between China and Liverpool?

Mr. DEPEW. That is an absolute advantage to the extent of the tonnage which they feel required to give to those lines. Under the arrangement which they have with their steam-ships they can take away from the American lines whatever tonnage is required to keep the line running.

Senator GORMAN. You do not see any way of reaching that by legislation?

Mr. DEPEW. I see no way of reaching it.

Senator GORMAN. Would that have the effect of diverting any considerable portion of the trade from Chicago or any portion of the United States?

Mr. DEPEW. Of course it diverts a very large amount of export business that would naturally come to New York, or Boston, or Baltimore. It diverts it by this superior advantage via Montreal and partly to Portland.

Senator GORMAN. By the subsidizing of ships?

Mr. DEPEW. The subsidizing of ships makes the ocean rate nominal, for it is necessary to give a nominal rate in order to get the tonnage.

Senator GORMAN. How are our American ships to meet that? What is the solution of it?

Mr. DEPEW. The Interstate Commerce Commission had the same problem up in regard to shipments from Philadelphia and from Baltimore under the same conditions. Philadelphia and Baltimore were taking the whole of the export traffic away from every other American port, because of contracts made with the steam-ship companies, and the steam-ship companies making the concession.

The Interstate Commerce Commission attempted to reach it, and felt that the act as it stood did not meet the case. One of the amendments of the present act was intended to give them the power to meet that condition. I have no doubt that if the Interstate Commerce Commission—I have not looked at the amendment enough to satisfy my own mind about it—I am satisfied that if the Interstate Commerce Commission had the power to equalize rates to Liverpool—what I mean by equalizing rates is not to give any advantage to any shipper on freight

to Liverpool—if they had that power then there is no doubt that in the conditions which they imposed upon the Canadian roads for the privilege of doing business in the United States they could make that one of them, that there should be no rebate or advantage given by the steamship companies.

Senator GORMAN. That is, on the through bill—sending through from any point in the United States on a through bill. Do you think that is feasible?

Mr. DEPEW. I think so.

Senator GORMAN. Looking at the map of the Canadian Pacific, and with your statement that there is no railroad in the world which has had the same amount of subsidy, in other words, that it is built with public money, and possibly could be run without regard to the money received from the ordinary commercial transactions, do you not regard it as a political or military route, built by a foreign government, and the commercial part only incidental?

CANADA A RIPENING PLUM.

Mr. DEPEW. Why, the only reason that permits the existence of such a condition as that for one moment is the power of the United States and the weakness of Canada. If we were two great nations of equal power with the borders situated that way, and that road running that way, a government line would get no advantages in the United States. But the American impression of Canada seems to be that it is a ripening plum, and that it is bound to fall into our hat some time or other, whenever we want it. [Laughter.]

Senator GORMAN. Do you think that these roads, coming in at all competing points on our border, such as the road running across the upper corner of Maine and then on to Halifax, has a tendency in that direction?

Mr. DEPEW. What do you mean, Senator?

Senator GORMAN. Whether it has a tendency to ripen this plum? [Laughter.]

Mr. DEPEW. Political union follows commercial union very rapidly. I am a great believer in the American destiny.

Senator GORMAN. Do you think, then, that the general policy of this country would be promoted by permitting this development to go on under proper restrictions?

Mr. DEPEW. Yes, sir; under proper restrictions.

Senator GORMAN. And you do not apprehend any serious trouble to our carrying trade, so far as the policy of the British Government is to subsidize a line of steamers running from China and Japan to the Sound, and on the other hand from Halifax to Liverpool?

Mr. DEPEW. I think that will take away from us the Asiatic trade.

Senator GORMAN. My question was, then, how would you meet it?

Mr. DEPEW. Well, I believe in subsidizing steamers.

Senator BLAIR. Would not that prevent the ripening of the plum? [Laughter.]

Mr. DEPEW. No; I think not.

Senator BLAIR. What do you think of a ripening process that puts fortifications in Puget Sound?

Mr. DEPEW. That is a matter about which——

Senator GORMAN. As a business proposition, without regard to the ripening of the plum, simply the business proposition, do you think it is sound policy on our part to permit the Canadians to come down and

tap us at every center and take our products from our own territory into their country, and then bring them back into our country, to New York, for instance, without a tax of any sort or description, while they prohibit our vessels from landing at Halifax?

Mr. DEPEW. Unless there was absolute reciprocity I think it would be bad policy for us to extend any concession that does not receive a corresponding concession on the other side.

Senator REAGAN. Do you happen to know what the traffic arrangement is between the Canadian Pacific and our transcontinental roads as to differentials?

Mr. DEPEW. I do not know. I think they have no arrangement. I do not think there is any arrangement between our transcontinental roads and the Canadian Pacific. If there is one I do not know anything about it.

Senator REAGAN. I was informed by the Interstate Commerce Commission that there was such an arrangement, and I did not know but what Mr. Depew might know of it.

Mr. DEPEW. I know nothing about it.

THE PROHIBITION OF DIFFERENTIALS.

Senator REAGAN. In speaking of the interstate commerce law, Mr. Depew, you suggested that its operations tended to the destruction of the weak roads and to transfer the business to the strong roads, I believe.

Mr. DEPEW. Yes, sir; I did.

Senator REAGAN. And that one of the means of preventing that was the employment of differentials.

Mr. DEPEW. Yes, sir; that is my opinion.

Senator REAGAN. You spoke of the danger to existing lines by the building of new and unnecessary lines, did you not?

Mr. DEPEW. Yes, sir.

Senator REAGAN. Now, if the plan of adopting differentials were prohibited, would not the tendency on the part of the roads be to refuse concessions to unnecessary roads and therefore to discourage their construction?

Mr. DEPEW. No, sir; its immediate operation would be to break up the relations between the strong lines and the weak ones already in existence.

Senator REAGAN. But if the proposed new lines promised themselves to be sustained by differentials would it not discourage the construction of new lines without the aid of law?

Mr. DEPEW. No; I do not think a road is ever built with an idea of the differential it will get. I do not believe any line is constructed in competitive territory where the promoters rely upon concessions from the other roads. New roads are built for two reasons. One is to compel the existing line to buy it. It is a direct and pure piece of blackmail. The other is, there are enthusiastic people who believe there is a necessity for the new line in a business which will develop to justify the investment.

The building of the first class of roads, I think, public sentiment has pretty thoroughly discouraged since the Nickle Plate and West Shore experiments. The building of the second class of roads is going on constantly, and the promoters of such roads are of two kinds, the enthusiasts of the locality, who do not know anything about the operation

of railroads, and the speculators in the securities, who hope to plaster them upon the public here and abroad.

The CHAIRMAN. If the Senator will allow me to suggest the inquiry right there, I should like to ask whether or not there have been a good many miles of railroad built into new countries by different corporations for the purpose of acquiring the territory for future development, although it would not pay to build them now?

Mr. DEPEW. Well, extensions of roads by existing roads, such as the Northwestern, the Chicago, Burlington and Quincy, the St. Paul, and the Rock Island, do not come in this category of which I speak.

The CHAIRMAN. Why not?

Mr. DEPEW. They are built by people who are thoroughly familiar with the country, people who always build in advance of the settlement of the country, with experience, however, as to the development of such territory. For instance, the Northwestern road, of which I am a director, built a road 350 miles in length to St. Pierre, in Dakota, and there was not an inhabitant on the line. But we knew perfectly well from experience what the course of settlement would be, and the result has entirely justified the construction. In other words, the road filled up the country and the filling up of the country sustained the road.

Senator REAGAN. I believe I understood you to say, in answer to Senator Gorman, that you thought it feasible to arrange for through rates to Liverpool, for instance, from our various trunk-lines.

Mr. DEPEW. Yes, sir.

Senator REAGAN. That would have to be done by reducing inland rates, would it not?

Mr. DEPEW. No. What I meant by that was to prevent a line, which has a subsidized steam-ship company, making through the steam-ship company a rebate or drawback to the shipper, and thereby giving the shipper by that line an advantage over the shipper by another line. Now, the New York Central has no relation with any steam-ship company. We come to New York and send by any steam ship line coming here. We have no relation to it, and we tell them we want so much space for Saturday. They tell us what the charge will be per bushel.

Senator REAGAN. Then your idea on that subject is that you can not regulate it by the regulation of rates on interior commerce, but by preventing steam-ship lines from discriminating upon American exports?

Mr. DEPEW. Yes, sir; on American exports.

THE RAILROADS AND THE WATER-WAYS.

The CHAIRMAN. I think we have all neglected to ask you any question in relation to our water-ways. There is a provision in the resolution under which we are operating which says the committee shall ascertain—

> Whether there is any discrimination in the charges made for tolls, or otherwise, against American vessels which pass through the Welland and St. Lawrence canals.

Have you any information on that subject?

Mr. DEPEW. No, sir; I am not informed on that.

The CHAIRMAN. I do not know that there are any more questions.

Mr. DEPEW. I will state one thing. There is a feeling that the railways are hostile to the water-ways. I want to say that that is not true. There has always been a feeling that the New York Central was hostile to the Erie Canal. I should regard it as a great calamity if the Erie Canal ceased to be operated as it is.

Personally I voted for a free canal. The Erie Canal forces to New York an immense traffic, and in addition to the traffic that we ordinarily get we get the surplus that comes to Buffalo by lake seeking the canal. I am speaking as a New York Central man now. Whatever helps New York helps the New York Central road. The Erie Canal helps New York and therefore we are in favor of the Erie Canal.

The CHAIRMAN. At the same time it is an immense regulator of railroad rates.

Mr. DEPEW. Yes, sir; it is an immense regulator of rates.

The CHAIRMAN. So generally you are in favor of transportation by canals, and rivers, and lakes, as regulators of rates?

Mr. DEPEW. Yes, as far as consistent. Of course every canalman and steam-ship owner makes his own rates to fill his boats, and he becomes a factor in the making of rates to the extent of his capacity to carry.

Senator HISCOCK. It amounts to this, practically, that with the advantage in your favor in point of time, and that the water-way can only be operated during a certain season of the year, although the cost of transportation upon the water-way is lower, you do not fear it at all as a competitor, and you are willing to have it as a competitor, on account of the large volume of business which it induces?

Mr. DEPEW. Yes; that is it exactly.

POLITICAL RELATIONS *vs.* MATERIAL DEVELOPMENT.

Senator BLAIR. May I ask you one or two questions on another branch?

Mr. DEPEW. Certainly.

Senator BLAIR. Probably no one has studied the conformation of the continent with a view to business development more than you. I would like to inquire whether the natural avenues and tendencies of commerce, taken in connection with Canadian development, would not be to the employment of routes running southerly rather than the transcontinental routes, assuming that no international questions were in the way and it was all under one political control, and then would not the railroad system of Canada tend to make connections southerly rather than by these transcontinental routes?

Mr. DEPEW. Yes, sir.

Senator BLAIR. Then existing political relations are at warfare with natural material development?

Mr. DEPEW. Yes.

Senator BLAIR. Do you think, Mr. Depew, that that great line running across these naturally separated regions by boundaries extending northerly and southerly is put there by a power which contemplates political union with the United States?

Mr. DEPEW. No, sir; quite the reverse.

Senator BLAIR. Do you think there is any necessity for putting these extraordinary fortifications in Puget Sound except for warlike purposes, and who is there to fight but the United States?

Mr. DEPEW. I understand there has been a great change of sentiment in England on that question within a year.

Senator BLAIR. Who is to assail those fortifications?

Mr. DEPEW. Nobody but the United States.

Senator BLAIR. Do you think that any prudent people would allow the erection of such fortifications or that any nation on the continent of Europe would permit any other nation to erect such fortifications without demanding an explanation, officially and diplomatically?

Mr. DEPEW. No, sir.

Senator HISCOCK. In the light of that question I would like to ask you this question, whether Puget Sound is the weak point of attack by the United States on Canada?

Mr. DEPEW. Well, as to that, we come right back to the point that our American people do not regard Canada as an enemy, if she wanted to be. There is a general impression that a couple of days would close up the campaign. [Laughter.]

Senator BLAIR. Well, we have made mistakes of that kind. We might well remember that there are a great many millions in Europe, and a great many millions in Asia, and that Canada and this country are half way between.

Mr. DEPEW. Of course it would be a different question if that vast territory in which that road is built was developed and settled as is our northwestern country.

Senator GORMAN. Is it not capable of development and settlement?

Mr. DEPEW. Yes, sir.

The CHAIRMAN. And it will be some time.

Mr. DEPEW. I think it will be when we are full. It is not the climatic but the political conditions which prevent the settlement of Canada.

The CHAIRMAN. Do those political conditions prevent the people from going in, or is it that when they get there they go out into the United States?

Mr. DEPEW. It prevents the people from going in. People in Europe understand the significance of our centennial.

The CHAIRMAN. I have heard it stated that when efforts have been made to put people into that country that the first they knew they had drifted down into the United States. I do not know whether that is true or not.

Mr. DEPEW. I think that the ordinary immigrant thinks that he will weigh a great deal more in the United States than he would weigh over there.

The CHAIRMAN. I think so, too.

STATEMENT OF JOSEPH HICKSON.

Mr. JOSEPH HICKSON, general manager of the Grand Trunk Railway of Canada, appeared.

The CHAIRMAN. You are a resident of Canada, are you not?

Mr. HICKSON. I am an Englishman residing in Canada.

The CHAIRMAN. Where in Canada do you reside?

Mr. HICKSON. Montreal.

The CHAIRMAN. What is your general business?

Mr. HICKSON. I am the general manager of the Grand Trunk Railway of Canada. I have charge of all their properties in this country.

The CHAIRMAN. What are the termini of that road?

Mr. HICKSON. In the east, Quebec, Portland, and Rouse's Point. In the west, the St. Clair and Detroit Rivers, and then we have lines running up the Georgian Bay and ports on Lake Huron.

The CHAIRMAN. You did not mention Chicago.

Mr. HICKSON. They are separate lines west of the river. I should have mentioned Detroit and Jackson. The line to Chicago is a separate corporation, managed separately, although it is controlled by the Grand Trunk, as is also the Detroit, Grand Haven and Milwaukee line from Detroit to Grand Haven.

The CHAIRMAN. You say the line from Chicago to Port Huron is a separate line.

Mr. HICKSON. Yes, sir.

The CHAIRMAN. Is it not controlled and operated by the Grand Trunk?

Mr. HICKSON. Practically it is controlled by a certain interest in the Grand Trunk holding the securities; but there is a board of directors composed partly of men resident along the line and partly of officers of the Grand Trunk. The same is the case with the Grand Haven line running from Detroit to Grand Haven.

LINES CONTROLLED BY THE GRAND TRUNK.

The CHAIRMAN. Now, will you name distinctly each line of road that connects or is controlled by the Grand Trunk in any degree, which runs in the United States?

Mr. HICKSON. Yes, sir; I will try to.

The CHAIRMAN. Begin with the East.

Mr. HICKSON. There is the Atlantic and St. Lawrence line, running from Portland to the boundary between Canada and Vermont.

Senator PLATT. That used to be the Vermont Central.

Mr. HICKSON. No; it has always been the Atlantic and St. Lawrence. It terminates about 16 miles on the west side of Island Point.

The CHAIRMAN. What is the length of that road?

Mr. HICKSON. One hundred and fifty-four miles.

The CHAIRMAN. It is stated in the pamphlet I hold in my hand to be one hundred and sixty-six and fifty-eight one-hundredths miles.

Mr. HICKSON. I expect that is correct. I am speaking only from memory. No doubt that is quite right.

The CHAIRMAN. Does that belong to the Grand Trunk?

Mr. HICKSON. No, sir; it is a separate corporation, but it was leased, I think, in 1853 for nine hundred and ninety-nine years. The lease was sanctioned by the legislatures of the three States through which it runs.

The CHAIRMAN. What are the estimated earnings of that road? Have you any figures with you that would indicate the same? It is stated here in the printed opinion of the Interstate Commerce Commission to be $1,107,764.77. It is stated in this report that the capital is $8,443,000; gross earnings from operation, $1,107,764.77, and total freight tonnage of 836,152.

Mr. HICKSON. That is probably correct as at June 30, 1888, as the figures were no doubt supplied by the company to the Commission.

The CHAIRMAN. That road practically belongs to the Grand Trunk, although controlled by a separate corporation, does it not?

Mr. HICKSON. It is leased; it is a separate corporation.

The CHAIRMAN. Who makes the rates for that road?

Mr. HICKSON. The Grand Trunk Company. It is worked as a portion of their system, and Portland is the winter port of the road.

The CHAIRMAN. Where is the summer port?

Mr. HICKSON. Montreal and Quebec, Montreal principally.

The CHAIRMAN. What is the next road that you control that is entirely in the United States?

Mr. HICKSON. There is a short line running off the Atlantic and St. Lawrence line to Lewiston. I think it is about 5 miles long.

Senator GORMAN. Is that a link in your connection with St. John?

Mr. HICKSON. No, sir.

The CHAIRMAN. How did you happen to build that?

Mr. HICKSON. The local parties found the capital for it. There is considerable local traffic there. It is a feeder of the Atlantic and St. Lawrence.

The CHAIRMAN. Does it connect with any other road?

Mr. HICKSON. I think not. I think at Lewiston and I am speaking from recollection, and that it is on a different level. I think there is no physical connection with any other road. There is also a little piece of road running to Norway, on the same Atlantic and St. Lawrence line, built by local people; a separate corporation. The road is about a mile and a half, or something like that.

The CHAIRMAN. You say that is only a mile and a half long?

Mr. HICKSON. I think that is the length of it.

The CHAIRMAN. What is the purpose of that road?

Mr. HICKSON. It is simply to accommodate the local traffic.

The CHAIRMAN. Does it connect with any of your main lines?

Mr. HICKSON. With the Atlantic and St. Lawrence.

The CHAIRMAN. Under what arrangement do you hold that road?

Mr. HICKSON. We merely work it; we do not own it. It is held by local parties who wanted to extend their business there, and we simply work it.

The CHAIRMAN. You have a lease of it for ninety-nine years, as you have of the other piece of road, have you not?

Mr. HICKSON. We lease it, but I forget for what time.

The CHAIRMAN. But you absolutely control it?

Mr. HICKSON. Yes.

The CHAIRMAN. What other road have you?

Mr. HICKSON. Going westward there is a small piece of line in State of New York at Rouse's Point running from the boun... Originally it was constructed from the boundary of Canada down to the lake to form a connection with the lake. A portion of it was afterward taken up, but I think there is a mile and a quarter of it still. That runs from the Canadian boundary to Rouse's Point. It was built about forty years ago by a company that was subsequently absorbed into the Grand Trunk.

The CHAIRMAN. That now belongs to you?

Mr. HICKSON. Belongs to us.

The CHAIRMAN. What is the length of that, do you say?

Mr. HICKSON. I think there is a mile and a quarter of it existing; there was an extension of the railways in the neighborhood after it was built and it was not thought necessary to run all the way up the lake, but only to a connection with the Ogdensburg Railway.

Then there is a road just completed which, although built by a separate corporation, is practically owned by the Grand Trunk Company. It extends from the boundary line near Fort Covington to Massena Springs, in the State of New York. It is 23 miles long and connects the Grand Trunk system with the Rome and Watertown Railway. Over it is expected to pass a considerable quantity of bituminous coal from the States to Montreal, and which has heretofore been largely supplied from Nova Scotia.

The CHAIRMAN. What other road?

Mr. HICKSON. The next lines are those west of the St. Clair and Detroit Rivers. There is a line called the Chicago, Detroit and Canada Grand Trunk Junction, which was built for the purpose of giving the Grand Trunk a connection with Detroit.

The CHAIRMAN. That road was built by whom?

Mr. HICKSON. By independent parties. The capital was found in England, and it was leased to the Grand Trunk, I think, for ninety-nine years. That runs from Fort Gratiot, in Michigan, to West Detroit, a distance of 59 miles.

The CHAIRMAN. It is stated here in the report of the Interstate Commerce Commission as having a capital stock of $2,881,141.46, with gross earnings of $248,123.52; total freight tonnage, 375,904. I suppose this statement in the report is taken from your own figures submitted to the Commission and is correct.

Mr. HICKSON. That is probably our own report at June 30, 1888.

The CHAIRMAN. And that line is leased like these others?

Mr. HICKSON. Yes, that is leased by the Grand Trunk.

The CHAIRMAN. What other road have you?

Mr. HICKSON. There is a line running from a place called Lenox, or Ridgeway. The name has been changed two or three times.

The CHAIRMAN. That is the Michigan Air Line Railway Company, extending from Lenox to Jackson, Mich., is it not?

Mr. HICKSON. Yes. I think it is 105 miles in length.

The CHAIRMAN. How do you control that?

Mr. HICKSON. The stock of that line, or a majority of it, is controlled by the Grand Trunk.

The CHAIRMAN. Is that a separate corporation?

Mr. HICKSON. That is a separate corporation.

The CHAIRMAN. Who controls the operation of the road?

Mr. HICKSON. The Grand Trunk.

The CHAIRMAN. And the Grand Trunk makes the rates for it?

Mr. HICKSON. Yes.

The CHAIRMAN. What other line have you in the United States?

Mr. HICKSON. I think we have no other line in the United States that is operated as a part of the Grand Trunk system.

The CHAIRMAN. Who has control of the Detroit, Grand Haven and Milwaukee?

Mr. HICKSON. That is an independent corporation.

The CHAIRMAN. Who controls it?

Mr. HICKSON. The stockholders, but a portion of the stock in the line is held in trust for the benefit of certain stockholders in the Grand Trunk Railway.

The CHAIRMAN. Has the Grand Trunk Railway a lease on it?

Mr. HICKSON. Not of either the Chicago and Grand Trunk or the Grand Haven lines.

The CHAIRMAN. Does not the Grand Trunk have anything to do with it?

Mr. HICKSON. They have practically the power of electing the directors and the management.

The CHAIRMAN. Practically you control it; is not that true?

Mr. HICKSON. Yes, sir.

The CHAIRMAN. Although they have a separate corporation they only go through the form of doing business on their own account.

Mr. HICKSON. Yes, they go through the necessary legal forms.

The CHAIRMAN. You say the same condition exists as to the Chicago and Grand Trunk Railway Company?

Mr. HICKSON. Precisely. Then we have an arrangement with the Toledo, Saginaw and Muskegon Railway under which that line is operated as a connection of the Chicago and Grand Trunk Railway.

LINES CONSTRUCTED BY THE GRAND TRUNK.

The CHAIRMAN. Did the Grand Trunk have anything to do with the construction of any of these lines?

Mr. HICKSON. Yes; they had something to do with the construction of the Chicago, Detroit and Canada Grand Trunk Junction line from Fort Gratiot to Detroit. That is they promoted it, although they did not expend capital upon it. They were at Point Edward, on the other side of the river, without access to Detroit, and it was necessary to have connection with Detroit.

The CHAIRMAN. Has the Grand Trunk, within its own authority, ever built any road in the United States?

Mr. HICKSON. No; when they have done so at all, they have built them under charters obtained in the States, or helped to promote them under such charters. I am not aware that the Grand Trunk as a company has any legal status in the United States.

The CHAIRMAN. I am not either, except as it comes in by permission.

Senator BLAIR. Have you not a connection with Toledo?

Mr. HICKSON. Yes; through another company, the Toledo and Ann Arbor; we exchange traffic with them.

The CHAIRMAN. Your company procured a charter to build a road through Maine by a separate organization, did it not?

Mr. HICKSON. No, sir.

The CHAIRMAN. An extension of your line goes through Maine?

Mr. HICKSON. Well, the Atlantic and St. Lawrence, which I say is a separate corporation, starts in Vermont and runs through a part of Vermont and New Hampshire and then into Maine.

The CHAIRMAN. And that road is built by capital owned by the Grand Trunk, is it not?

Mr. HICKSON. No, sir; it was built by capital raised partly in New England, a considerable sum in the city of Portland, which loaned its credit to help to build the road, and by the sale of its stock and bonds in England. The stock is now selling in the English market at a high premium.

The CHAIRMAN. Was there any subsidy granted by the Canadian government or any other to assist in building it?

Mr. HICKSON. No, sir; not in building that line.

The CHAIRMAN. Has any subsidy been given to assist in the building of these feeding roads anywhere within the United States?

Mr. HICKSON. You mean for building the lines owned or controlled by the Grand Trunk in the United States?

The CHAIRMAN. Yes.

Mr. HICKSON. None. Parties interested in the Grand Trunk have taken, in some instances, the securities as they would take any other securities.

The CHAIRMAN. I do not understand that your road has had much subsidy from your own government at any time, has it?

Mr. HICKSON. In the original construction of the Grand Trunk line, which was incorporated, I think, about 1852, the government of Canada loaned some three million pounds sterling toward the construction of a railway from River du Loup to Point Edward, which is opposite to Fort Gratiot, to the city of London, from the boundary between Vermont and Canada—the junction of the Atlantic Line—and Richmond, in all 900 miles. They got interest on that for a time and, like other investors in the Grand Trunk, they afterward ceased to get interest,

but they still consider themselves part owners of the Grand Trunk to-day and to that amount.

LINES TRIBUTARY TO THE GRAND TRUNK.

The CHAIRMAN. About how much territory in the East and West also pays tribute to your lines of road—have you any idea? I mean, of course, in the United States.

Mr. HICKSON. We have 360 miles, I think, that are worked as part of the Grand Trunk system, and then these affiliated lines amount to 617 miles, making nearly a thousand miles of road in the United States.

The CHAIRMAN. Running through a pretty large section of United States territory?

Mr. HICKSON. Through Maine, New Hampshire, Vermont, a very little of New York, Michigan, Indiana, and Illinois.

The CHAIRMAN. How about Ohio and Pennsylvania?

Mr. HICKSON. None in Ohio or Pennsylvania.

Senator PLATT. Do you not control a road clear through to Chicago?

Mr. HICKSON. That is the Chicago and Grand Trunk running from Port Huron to Chicago. By the way, I omitted to mention a little piece of line in Chicago which was constructed for the purpose of affording terminal facilities. It is some four or five miles in extent. The total distance is about 331 miles from Port Huron to Forty-ninth street in Chicago, including the piece of road I have just mentioned.

The CHAIRMAN. But the business done over the business end of the Chicago terminus of the Grand Trunk, if I may call it so, is simply a continuation of the business of the Grand Trunk proper between Portland and Chicago, is it not? It is practically all one line for doing the business.

Mr. HICKSON. Yes, and between the Niagara frontier and Chicago also, but of course there is a local traffic upon it, as there is upon all lines.

Senator PLATT. But you make rates from Chicago to Portland.

Mr. HICKSON. Undoubtedly, in connection with other American companies carrying eastward.

Senator PLATT. Do you not control the rates between Chicago and Portland on your line?

Mr. HICKSON. We make rates. I wish to add, however, that we make them in connection with the other companies. It is a common rate in fact.

Senator GORMAN. It is a mere form. While you observe the separate organization it is in fact a mere form, and the Grand Trunk actually makes the rate.

Mr. HICKSON. The Chicago and Grand Trunk makes the through rate for east-bound traffic and the Grand Trunk makes the through rates westward over this route.

Senator PLATT. What is the connection of the Grand Trunk corporation with the line from Fort Gratiot to Chicago?

Mr. HICKSON. It is that a large portion of the bonds and stocks are held for stockholders of the Grand Trunk by which they have a majority vote.

Senator PLATT. So you make the rate over that road practically the same as over the Grand Trunk proper?

Mr. HICKSON. Yes, practically; but I want the committee to understand that there is a separate organization.

The CHAIRMAN. Still, your power is complete over all these lines, if you want to exercise it?

Mr. HICKSON. Undoubtedly.

Senator BLAIR. You are the father of the family?

Mr. HICKSON. I do not know that we are the father; we are the head of it. A good deal of the traffic comes to us.

RELATIONS WITH THE TRUNK LINES.

The CHAIRMAN. Have you any relation with the trunk lines between the East and West—the American trunk lines?

Mr. HICKSON. Undoubtedly.

The CHAIRMAN. Tell us what that is.

Mr. HICKSON. We generally co-operate with them and have been a party to their agreements and to the pooling arrangements when there have been such, and we are parties now to the making of rates with them.

The CHAIRMAN. A party to the rates agreed upon between your roads and the other roads?

Mr. HICKSON. Yes, sir.

The CHAIRMAN. Tell the committee what the actual arrangement now is between you and these other trunk lines as to the rates of freight east and west bound.

Mr. HICKSON. I am speaking somewhat from recollection, but I can say that we charge rates which are agreed to by the other lines at the present time.

Whilst in the room I heard Mr. Depew refer to the differential rate question. I think, as regards that, there is only one differential rate on our line for east-bound traffic, and that is on dressed meat going into New England; and really it is hardly a differential rate, for some other lines are making the same rate.

The CHAIRMAN. Is it or not true that your lines of road transport from the West to the East or from the East to the West, generally, at the differential rate in your favor, allowing you to publish rates that are lower than the rates published by the other lines?

Mr. HICKSON. We have had differential rates on certain articles requiring quick transportation, because we have a longer route via our main line. We have not, as a rule, claimed any differential via the Niagara lines. These differentials have varied at different times, according to circumstances. It has been a matter of agreement with the other companies.

THE CHAIRMAN. Do you think you ought to have this differential rate—this right to charge less than the other roads?

Mr. HICKSON. Yes. It is not a novelty. There are other roads that compete for traffic under adverse circumstances and who, to a more or less extent, have differentials.

The CHAIRMAN. But you say the existing differential is only on one article.

Mr. HICKSON. I think on dressed beef.

The CHAIRMAN. How much is that, if you know?

Mr. HICKSON. I think that by the Chicago and Grand Trunk and the main line (via Toronto and Montreal) of the Grand Trunk into New England, the rate is 45 cents a hundred pounds, and unless I am mistaken, it is 50 cents by the other lines. I think, however, the Chicago and Atlantic line is carrying at the same rate as we are, in connection with the Erie.

The CHAIRMAN. I think it was stated here yesterday by some one that you had a differential rate on freight going west, but not on freight going east.

Mr. HICKSON. There are differential rates on freight going west from New England, which I forgot to mention. What they are I do not know; the Central Vermont Company settles them with the New England roads. I was referring heretofore to east-bound traffic.

The CHAIRMAN. Suppose this differential were not given to you by this agreement between you and the other trunk lines, could you do business?

Mr. HICKSON. We should lose a portion of the business that we carry, undoubtedly.

OBSERVANCE OF THE INTERSTATE LAW.

The CHAIRMAN. What relation do you sustain to the interstate commerce act in your transactions and business in connection with business in the United States.

Mr. HICKSON. We consider all our business interchanged with the United States and all our business carried through Canada from State to State is subject in the fullest degree to the interstate commerce act. We have never assumed any other position.

The CHAIRMAN. You mean to say, taking the business between Chicago and Portland, for instance, that you publish the rates?

Mr. HICKSON. Yes.

The CHAIRMAN. And abide by them absolutely; is that so?

Mr. HICKSON. Certainly.

The CHAIRMAN. In doing that do you take advantage of what our roads can not do—recoup on local traffic in your own country?

Mr. HICKSON. Now, you must put that a little differently, for I am not quite sure what you mean. I want to give the fullest information I can.

The CHAIRMAN. Our American railroads are forbidden to charge more for the shorter than for the longer haul. They are forbidden to charge more for a short distance on their line than for a long distance—a larger aggregate sum. Now so far as your business in Canada is concerned, having no relation or reference to the United States whatever, as I understand, you have no law regulating you, and you can charge what you please, consistent with your obligation to the people, between local points or points between Detroit and Montreal.

Mr. HICKSON. Not between Detroit and Montreal. Where we have traffic between Detroit and Montreal, we consider it under the interstate law and that we are bound to obey. But as regards purely Canadian traffic we are in the same position to-day as the New York Central. They can make what rates they like, so far as the interstate law is concerned, within the State of New York. We are in the same position with regard to the provinces. For local rates through the provinces, of course, we are not amenable to the interstate act, but as a matter of fact I believe that the local rates in Canada on the Grand Trunk are as low, if not lower, than the rates on United States lines, for the reason that for nearly the whole length of the Grand Trunk system we have water routes that regulate the rates.

The CHAIRMAN. What you mean to say is, that the transportation of business between the United States, or as to any business that comes to you in the United States and goes anywhere into your country, you regard the interstate act?

Mr. HICKSON. Certainly.

The CHAIRMAN. And as to any business that begins in the United States and goes through your country and into the United States again, you obey the interstate act in the transaction of that business?

Mr. HICKSON. Certainly.

The CHAIRMAN. As I understand you, you mean to say that business orginating in Detroit, which is in the United States, and going to Montreal, you regard as under the interstate act?

Mr. HICKSON. Certainly.

The CHAIRMAN. And therefore you obey it.

Mr. HICKSON. Yes, sir.

The CHAIRMAN. And with respect to any business originating in Chicago and going to Port Huron and through the Dominion of Canada and then down to Portland, you regard as under the interstate act of the United States?

Mr. HICKSON. Yes, sir.

The CHAIRMAN. And act accordingly?

Mr. HICKSON. Yes, sir.

Senator PLATT. But that does not prevent you from charging a greater rate on local business?

Mr. HICKSON. I think I answered as to that.

The CHAIRMAN. Do you regard that business on those lines that are entirely within the Dominion of Canada as at all under the interstate act of the United States?

Mr. HICKSON. Certainly not. You mean from one place in Canada to another place in Canada?

The CHAIRMAN. Yes.

Mr. HICKSON. No, sir; but I regard that as not placing us in a position different from the American roads. Our position in regard to that is not dissimilar to the position of the American Trunk lines in regard to State business, I mean in relation to the interstate act. The interstate act does not apply to roads, for instance, between Buffalo and New York, wholly in the State of New York.

Senator REAGAN. That depends on where the traffic originates.

Mr. HICKSON. Certainly; I mean that.

Senator REAGAN. If commerce should start by lake from Chicago and go to Buffalo and then go to New York, though it only went from Buffalo to New York by railroad, we understand that it would be subject to the interstate act.

Mr. HICKSON. Certainly; and in our case it would be subject to the interstate act, also.

THE COAL CASE.

Senator GORMAN. Is it not a fact that on coal and other products—

Mr. HICKSON. Not other products; that case was specially with regard to coal.

Senator GORMAN. Well, on coal received by you at Suspension Bridge and destined for points in Canada, you do not observe the interstate act?

Mr. HICKSON. I desire to give you all the information I possess in that case. It has been stated in the press and elsewhere as relating to all our traffic. It does not. We are carriers from Buffalo, and our tariffs are all sent to the Interstate Commerce Commission, and they are not changed without our sending them to the Commission, and there is a strict compliance with the law. This coal is purchased by dealers in coal in Canada, and they make their own arrangements for transportation up to the international bridges. We know nothing about their arrangements or rates. We have been taking it from the United States side of these international bridges and we have made two rates

in some instances. There has been no secrecy about it. There has really been no rebate of the rate charged. We considered that we were entitled, where large shippers were taking great quantities, and having facilities of their own, with yards for discharging the cars quickly, to make a less rate; we were so advised by counsel, and acted under advice of counsel. A case was taken before the Interstate Commerce Commission by the Michigan Central, and I may mention that the only company that had an interest in it was another Canadian company. The matter went before the Commission and the Commission held in opposition to the advice of our counsel and said that the tariff should be submitted to them, and we have since then sent the tariffs to the Commissioners and have asked if they were in conformity with the law, and if they prove not to be in conformity to law we have said that they would be made so. That case was solely in regard to coal.

Senator GORMAN. So far as that one case is concerned it only applied to coal, but the principle would apply to any other traffic, would it not?

Mr. HICKSON. There is no other traffic so dealt with at the present time. Other traffic comes to us from other companies and is dealt with in the ordinary way.

Senator GORMAN. I understand that since this decision of the Interstate Commerce Commission you have made up your mind to act in compliance with the instruction of the Commission, and have treated all products that originate in the United States alike, whether coal or otherwise.

Mr. HICKSON. Every other product was so dealt with heretofore, and that would have been dealt with in the same way if we had not been advised by our counsel that we might do otherwise. The tariffs have since gone to the Commission and we have asked them to say if they are in conformity to law, and if they are not we will make them so.

Senator PLATT. All freight originating in New York is charged a less rate if it goes by the Grand Trunk than if it goes over other lines. Freight from New York to Chicago, if it goes by the Grand Trunk, is charged a lower rate than if it goes over an American line, is it not?

Mr. HICKSON. No, sir. No freight goes from New York to Chicago except what goes by American lines. There is some little interchange of traffic with us via Portland, but practically all the freight from New York is transported by the American lines and a part of it is delivered to the Grand Trunk at the Niagara frontier.

THE LONG AND SHORT HAUL CLAUSE.

Senator HARRIS. In reference to the short and long haul provision, you answered a question of the chairman that in respect to all freights going from the United States to Portland, Me., you respect the interstate commerce act and conform to it; also in respect to freights going from the United States to any part of Canada you conform to the interstate act?

Mr. HICKSON. Yes, sir.

Senator HARRIS. Now, I want to ask you in respect to freights going from any part of Canada to Portland, Me.

Mr. HICKSON. We comply with the interstate act, and consider we are bound by it. We have to submit our tariffs to the commission, and do everything in conformity with the act.

Senator HARRIS. In respect to all freights originating in Canada and going to Portland, Me., you hold yourselves bound to the interstate act?

Mr. HICKSON. Yes, sir. I would like to give the committee a copy

of a circular of instructions that I issued when the interstate act went into force. It will show the spirit in which we received the act and acted upon it. I will furnish it to-day.

Senator HARRIS. Though it may be true, as I think it is, that commerce that begins in Canada and ends in Canada is not subject to the provisions of the interstate act, as a matter of fact do you make your local rates in respect to that commerce higher or largely higher than the rates you make in respect to this commerce that is controlled by the interstate act?

Mr. HICKSON. The local rates are undoubtedly higher in proportion than the through rates, but I do not think they are higher than the local rates in the States, and they are simply made in reference to the exigencies of the business. I will give you the reason why our rates are very low in Canada, and that is because during the season of open navigation we are running along-side the carriers on the St. Lawrence River and the lakes.

Senator HARRIS. In respect to traffic beginning in the United States and going to Canada and passing to the sea-board, do you fix your rates high enough to fully compensate the road for the service performed?

Mr. HICKSON. We think so or we would not take the traffic.

Senator HARRIS. You only publish, then, the rates that pay you a profit for carrying the traffic.

Mr. HICKSON. Yes, sir; except in times of extreme competition, when all roads have sometimes charged rates that did not pay.

Senator HARRIS. And then you do not try to recoup on your local traffic for any real or supposed losses on the through traffic.

Mr. HICKSON. No, sir; that would be unbusinesslike, because it is manifest we would be better off without the through traffic.

Senator HISCOCK. I suggest that you ask Mr. Hickson, Mr. Chairman, whether, after the adoption of the interstate law and the making of their rates under the requirements of the interstate law, they raised any of their local rates?

The CHAIRMAN. You may proceed to answer that question, Mr. Hickson.

Mr. HICKSON. No. It is difficult for me to remember all the changes, but no general change was made.

The CHAIRMAN. Were your schedules rearranged then?

Mr. HICKSON. For the international traffic they had to be, but for the local traffic I do not know that they have been revised generally. Of course in particular cases the rates are changed from time to time.

Senator HISCOCK. But no change has been made in those local rates on account of your interstate commerce?

Mr. HICKSON. No, sir.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

CIRCULAR CONCERNING THE INTERSTATE LAW.

Mr. HICKSON. I can give you a circular that was issued, and which I referred to before the recess was taken, when the interstate commerce act went into operation, as an evidence of the way in which we regarded the law and recognized it.

The CHAIRMAN. It will be put in the record.

The circular is as follows:

GRAND TRUNK RAILWAY OF CANADA,
GENERAL MANAGER'S OFFICE,
General Order No. 85.] *Montreal, March* 25, 1887.

The coming into effect in the United States on the 5th April of the interstate commerce act necessitates the cancellation of all contracts or arrangements of an exceptional character, or special rates for the transportation of freight or passengers from Canada to places in the United States, or from a place in one State to a place in another State upon the lines of the company within the United States.

The act also prohibits the granting hereafter of special or exceptional rates or fares for traffic between States, or between Canada and the States, and no such rates are to be made on and after the 5th April.

The tariffs issued from the general passenger and general freight agents' departments must be strictly adhered to, and no deviation from them must be permitted by agents of the company; they are only to be changed by authority from the general passenger agent, the general freight agent, or district agents authorized to quote rates.

As the carrying free, or under-billing of the weights carried in cars, would amount to discrimination forbidden by the interstate commerce act, agents must be careful to see that no such infringement of its provisions takes place in respect of traffic forwarded from or received at their stations.

No free passenger tickets are to be issued between interstate points, or between places in the United States and places in Canada.

The issue of free passes to others than the officers, agents, and employés of the company (which will include the officers and employés of the sleeping car and express companies doing business over the company's railways, the officers and workmen of the telegraph companies who have charge of the company's telegraph lines, and the officers of the customs departments who have to travel on the railway in the discharge of their duties), and the officers and employés of other railway companies, between places in different States, or between places in Canada and places in the United States, is by the act forbidden, and no such passes are to be issued.

As the issue of passes between places on this company's railway in Canada to shippers of international or interstate traffic may be considered as a violation of the interstate commerce act, no such passes are hereafter to be issued.

All passes heretofore issued to others than officers and employés of this company, as above defined, or the officers and employés of other companies, are recalled; and if any such should be tendered for transportation on and after the 5th of April between places in Canada and the United States, or between places in different States on this company's railway, they must be taken up and sent in to my office.

While the interstate commerce law does not forbid the issue of passes within a State (and does not, of course, apply to passes issued on the company's railways in Canada) where they are not issued for the purpose of influencing the transportation of international or interstate traffic, it is necessary that the utmost care be observed to prevent passes good in Canada or within a State being used conjointly for the purpose of traveling between Canada and the States, or points in different States, as such would be an infringement of the law, and would subject the company to heavy penalties.

To illustrate: If an applicant to whom it is forbidden under the interstate act to issue an interstate pass should, by applying through different channels, obtain a pass, say in New Hampshire, through one, and a pass good in the State of Vermont through another, or one pass in Canada and another, say in Vermont, which would enable him to make a continuous journey, that would be held to be a breach of the law, and would subject the company to the penalties prescribed in it.

J. HICKSON,
General Manager.

DIFFERENTIAL RATES.

The CHAIRMAN. Have you made a full statement on the subject of differentials between your road and other trunk lines or not?

Mr. HICKSON. My first answer had reference to the differential rates on east-bound traffic; we were talking then about the western lines; subsequently the question was asked whether there were differentials on west-bound traffic out of New England, and I said yes; but that these differentials were practically settled between the Central Vermont

Company and the other New England roads in Boston. I can not tell you what they are at present.

The CHAIRMAN. What relation have you to the Central Vermont?

Mr. HICKSON. They are our eastern connection.

The CHAIRMAN. You have no control of that road, or have you?

Mr. HICKSON. We hold some of its securities, but have not a complete controlling interest.

The CHAIRMAN. But they operate with you.

Mr. HICKSON. Yes, but not exclusively.

The CHAIRMAN. Your contract with them is just as with any other road?

Mr. HICKSON. Yes, a business contract.

Senator GORMAN. Mr. King, president of the Erie, yesterday made the statement that on west-bound traffic from here the Erie road and its connections were allowed a differential of 5 or 10 cents a hundred—I do not remember the exact sum—and that you shared in that traffic.

Mr. HICKSON. I know some of the roads out of New York are allowed differential rates, and I dare say some of the traffic goes over our line, but we have nothing to do with the making of the differential. The traffic runs across the Canadian peninsula via Suspension Bridge and Detroit or Port Huron.

Senator GORMAN. But you have a connecting line with the Erie, and you expect your proportion of this traffic at the reduced rates?

Mr. HICKSON. Yes, sir.

Senator GORMAN. What Senator Platt wanted to know was, why it was necessary in the case of the Erie and your road making one rate from here; that is, should you be permitted to charge 5 cents a hundred less than the New York Central?

Mr. HICKSON. It is not exclusively with the Erie. I think there are other lines in New York making differential rates. We are carrying traffic not carried at differential rates. We never interfere; being an intermediate link, the roads here settle them.

Senator GORMAN. What he wanted to know from you, as a railroad man, was, what reason is there that makes it necessary to permit you and the Erie, as one line through to Chicago, to make this charge of 5 cents less than the New York Central?

Mr. HICKSON. I see the vice-president of the Erie in the room, and I have no doubt he can tell you. Perhaps they labor under disadvantages in the State of New York and here, and that is the reason; but I do not know that as a fact.

Senator GORMAN. How is it that you accept this traffic at a less rate over your line than you do that which you receive from the New York Central, or any other road?

Mr. HICKSON. As a matter of railroad policy the terminal companies settle the rates. They are allies of ours and we allow them to make the rates as they think right, unless they do us an injustice, and then we complain. The roads running out of New York settle all the different rates out of New York. But for the purposes of adjusting matters between the terminal roads and the western roads there is a joint committee. They meet and adjust matters (we are nominally a member of that body, but seldom interfere). The committee settle them.

Senator PLATT. Do you suppose the Erie would get a differential unless they had a connection with you?

Mr. HICKSON. I think it has a differential by its own line, the terminal of which is the Chicago and Atlantic Company. I would like to ask Mr. Felton about that. I think he can tell me. Is that so, Mr. Felton?

Mr. FELTON. Yes, sir.

Senator PLATT. The Pennsylvania is a shorter line to Chicago than the line by the Erie and your road, is it not?

Mr. HICKSON. Do you mean from New York, sir?

Senator PLATT. Yes.

Mr. HICKSON. The difference can not be very great, but I really can not tell you. The difference in mileage is not a great deal, but what the figures are I can not tell you from memory.

THE BONDED TRANSIT TRADE.

The CHAIRMAN. Will you tell us something of this transit trade? Describe to the committee what is commonly known as the United States and Canada transit trade, which we understand to be generally the reciprocal right of either country to transport goods across the territory of either without payment of duty.

Mr. HICKSON. To what phase of the question do you wish me to address myself?

The CHAIRMAN. What process is gone through with in carrying on this transit trade—do you give bonds?

Mr. HICKSON. Yes. The routes are bonded, and we give bonds first and foremost, and then all cars containing such traffic are sealed and bonded at the frontier and unsealed at the exit frontier under the inspection of customs officers.

The CHAIRMAN. Which is done at both ends in both countries?

Mr. HICKSON. Yes, sir. And for the bonds given, for instance, at one point—it may be in Montreal—for transit to Chicago they take the certificate of the United States customs officer in Chicago that the stuff has been landed there and that discharges the bond, and *vice versa*.

The CHAIRMAN. Are these bonds given to the United States?

Mr. HICKSON. Yes, to the United States Government.

The CHAIRMAN. By whom?

Mr. HICKSON. By the Grand Trunk Railway Company, if it goes by their route; by the companies comprising the route, and they have to find sureties.

The CHAIRMAN. These goods are brought over from your country to this in Canadian cars, and are these cars used in this country outside of the line over which they come into the country?

Mr. HICKSON. I do not know that they are used to any considerable extent, but it is a matter of speculation to a certain extent. A car goes away with a load, and what is done with it before it comes back it is difficult to state. Our practice is, and it is not disregarded with my authority at any rate, that a United States car coming on the Grand Trunk system at Detroit and loaded, it may be for some place in New Hampshire or Maine, will go through and be discharged, and if on its homeward journey there was a load in Canada to go to Detroit or on the line to which the car belonged, it would be loaded back. I can not quote the figures, but I had a statement made a short time ago, and I think it was comparatively a small percentage of the total mileage of cars that were so used. I take it that that is the practice in the United States also, but of that I can not speak. I know that on our own lines we prohibit them from using those cars for local traffic. That is, say between Chicago and Port Huron, we do not permit the Canadian cars to be loaded with local traffic between Huron and Lansing, for instance, in the United States.

CONNECTING STEAM-SHIP LINES.

The CHAIRMAN. I forget whether you stated you had a foreign steam-ship line running from Portland to Liverpool.

Mr. HICKSON. I do not think the question was asked, but there has been running in connection with the Grand Trunk Railway a first-class line of steamers for some twenty-seven or twenty-eight years, with the exception of one winter. Of course they only run in the winter. They come up the St. Lawrence in summer. It has been a sort of joint service latterly. It is done by the Allan Line and Dominion Line steamers. The interest of the Grand Trunk, of course, has been to develop traffic through Portland, which is the eastern terminus of their system, and the only port that they reach on the Atlantic by their own line.

The CHAIRMAN. Has your road any interest in that line?

Mr. HICKSON. No managerial or proprietary interest in the steamers. We have an interest in the traffic.

The CHAIRMAN. I mean any ownership and control.

Mr. HICKSON. No, sir.

The CHAIRMAN. What is your traffic arrangement with the steamship line?

Mr. HICKSON. We carry traffic to them in winter and they bring it to us. Until recently there has been a division of through rates under certain agreed percentages.

EXPORT RATES.

The CHAIRMAN. Suppose you get a lot of grain and meat at Chicago; do you bill it through to Liverpool?

Mr. HICKSON. Through rates are made as a rule. The quotations in Chicago are through quotations to Liverpool, and of course they are governed by the competition through the various Atlantic ports.

Senator HISCOCK. Will you ask him in that connection, Mr. Chairman, if on the division of rates they receive less on the transportation from Chicago to Portland than is received by these other trunk-lines?

The CHAIRMAN. You can answer that, Mr. Hickson.

Senator HISCOCK. I mean less than your published rate on the division of rates with this line. Do you receive a less rate of freight than your published rates under the interstate law on inland freights?

Mr. HICKSON. I was going to say that a recent decision of the Interstate Commerce Commission changed the system, and has practically made it that the rates must be named to the sea-board. I was speaking of a state of things that existed some time prior to that, when we divided the rates on a percentage basis. We would then get sometimes less and sometimes more than the tariff rates. These through rates are regulated in this way: If the rate through New York is so and so, the rate through Portland is a little less. That is recognized by the several companies, owing partly to the disadvantage of the route, and I think also the higher rate of insurance for the northern route.

The CHAIRMAN. You get a differential on that?

Mr. HICKSON. Yes, sir; on that account.

Senator HISCOCK. In some instances at least the inland charge, say from Chicago to Portland, on freight might be less?

Mr. HICKSON. Yes; and at other times it might be more.

Senator HISCOCK. How would it average?

Mr. HICKSON. That is a matter of detail, and I can not tell exactly.

Senator HISCOCK. On any occasion has there been any intention or purpose in that way to make a cheaper transportation to Portland?

Mr. HICKSON. No; the cheaper transportation where it existed via Portland has been in the through rate and not as a consequence of our arrangement with the steam-ship company. For instance, a shipper at Chicago might be able to get a certain rate through New York and at the same time get a slightly lower rate through Portland.

Senator BLAIR. That is to Liverpool?

Mr. HICKSON. Yes, sir.

Senator PLATT. Do you make a less rate from Chicago to Liverpool than is made at present at New York on traffic to Liverpool?

Mr. HICKSON. That depends on what the ocean rate is, over which we have no control. I am not able to say.

REBATES OR OTHER ALLOWANCES.

Senator HISCOCK. Let me ask in that connection, has there ever been any instance of this kind in which there has been a rebate paid to the shipper, or any drawback returned to the shipper from the published rates since the passage of the interstate commerce law? Since the passage of that law has there been a rebate paid to the shipper?

Mr. HICKSON. You mean in Canada?

Senator HISCOCK. In Canada.

Mr. HICKSON. Not at all.

Senator GORMAN. Either by the railroad or by the steam-ship company?

Mr. HICKSON. Not to my knowledge by either the steam-ship company or the railway company.

Senator HISCOCK. Has there been any instance of this kind, in which remittances have been made by the railroad company on the rate to Liverpool in part to pay the rate through?

Mr. HICKSON. No, sir; not since the interstate law came into operation.

If you will permit me to say a word I will try to explain. I heard the evidence of Mr. Depew this morning in which he spoke of the possibility of Canadian lines making rebates in Canada in respect to through traffic. We think that impracticable, and nothing of the kind has ever been attempted. The interstate act provides that if anything of the kind be done, that particular traffic crossing the line again when it would come under the jurisdiction of the Interstate Commerce Commission would be considered an importation and would have to pay duty.

INCREASE OF TRAFFIC ON THE GRAND TRUNK.

Senator BLAIR. It has been stated, and was stated by Mr. King yesterday, that the transportation of merchandise from the West to the sea-board over the Grand Trunk has recently increased from 20 to 39 per cent. If that be a fact, state to what extent it is a fact, and how you account for it.

Mr. HICKSON. Do you speak of Chicago east-bound traffic?

Senator BLAIR. East-bound traffic was what he referred to.

Mr. HICKSON. It is a very simple matter. All our tariffs for east-bound traffic are submitted to the commission and we have had no pool. We have not been buying the traffic by any rebates or concessions. We have made no rebates whatever. The traffic comes to us naturally and it is due to our facilities in Chicago. We have provided very excellent facilities there for the transshipment of grain and we have attended to our business. I think Mr. Fink could supply the figures, and

if the whole business that we are getting to-day were added together it would be found that it is less than we got last year. While we get more dead freight, we have lost a large amount of live stock and dressed meat. I do not know that we are any better off now than we were last year. I can assure the committee that if there be any increase it is not in consequence of rebates that we get that business (dead freight), nor in consequence of differentials. I wish also to add that the volume of the traffic is constantly changing; the next return may show much less favorably for us.

Senator HISCOCK. Do you say you do not in any way subsidize the steam-ship line or in any way pay part of its rate and give to the shippers the benefit of it.

Mr. HICKSON. No, sir.

Senator BLAIR. Then, Mr. Hickson, I understand this to be your statement, that you are conforming to the interstate law and not increasing the charges upon local freights in Canada to make up any loss consequent upon obedience to the law; and that your line is on the whole able to compete successfully with these American lines?

Mr. HICKSON. Certainly, sir.

Senator BLAIR. It is as good or a better line, all considerations being the same?

Mr. HICKSON. I think we are doing it at the present moment under fair and legitimate arrangements, and I do not know that there is the slightest charge against us of breaking rates or making rebates, at the present moment. If it is so, such charge has never been made known to me.

Senator BLAIR. I mean with reference to the traffic that originates westerly and is marketed in Liverpool. I include the ocean route as well.

Mr. HICKSON. As regards the ocean route from Montreal, we have no control over it. I was speaking of the ocean route from Portland previously.

Senator BLAIR. But a man can ship freight from Chicago to Liverpool over your route at as good or better rate than via the New York Central?

Mr. HICKSON. It is now probably sent cheaper. At certain times the rates through the St. Lawrence are cheaper than the rates via New York. The rates through Montreal are based on the rates through Philadelphia; that is, the inland rate is.

Senator BLAIR. What proportion of your business for Great Britain comes through the United States?

Mr. HICKSON. If I had my statistics I think I could [illegible] question. My secretary is now out of the room and [illegible] in my papers. I have sent for them.

Senator BLAIR. I want to know to what extent the Canadian roads take their business through the United States?

Mr. HICKSON. I will give you that if I can when my secretary comes in.

ARRANGEMENTS WITH OCEAN STEAMERS.

Senator GORMAN. The statement has been made that you practically subsidize your steam-ships by agreeing to pay them for a fixed amount of space, which is a permanent contract and enables them, necessarily having a fixed amount of cargo guarantied, to charge a less rate, say, between Portland and Liverpool. The statement has also been made that with this understanding, or without it for that matter, the fact is

that the steam-ship company frequently allows a drawback to the shipper. Now, what is there in that assertion or charge?

Mr. HICKSON. We do not under our arrangements subsidize the steamers and we do not buy space in them. Portland is a place which, I dare say all realize, has not a great deal of local traffic. We have entered into engagements with steamers to find them a cargo. It simply amounts to this, that we have to find them cargoes if we can and we pay no penalty for it if we do not.

Senator BLAIR. I thought you owned those steamers.

Mr. HICKSON. No, they belong to the Allans and the Dominion Company. We know the tonnage of their steamers and we contract to do our best to give them a load, otherwise they would not run to Portland.

Senator HISCOCK. Who makes their rates?

Mr. HICKSON. Other ports make them. They change them from day to day.

Senator HISCOCK. Why would they change them if they depended almost exclusively on your business?

Mr. HICKSON. They would not go to Portland if we did not give them traffic.

Senator HISCOCK. I know they go to Portland because of their arrangement with you. Now you being the only party that ships over their line, why do they change their rates at all?

Mr. HICKSON. They must do so to meet the competition through other ports. If they put up their rates unduly we could give them no traffic.

Senator HISCOCK. You mean that instead of your making a fixed contract with them to furnish them with so much freight at a certain price their rates are practically fixed by Boston and New York?

Mr. HICKSON. Practically so. They have to meet the competition, otherwise lower rates would be prevailing through New York, Baltimore, or Philadelphia, and we should be out of the market.

Senator GORMAN. So you have no reason to believe that these steamship companies allow any drawback either to the producer or the shipper?

Mr. HICKSON. None; they do not to my knowledge.

Senator HISCOCK. And to your knowledge no contribution has ever been made to meet the same purpose as a rebate?

Mr. HICKSON. No, sir.

The CHAIRMAN. The interstate law requires that rates shall be published, and during their existence they shall not be varied from, either below or above, and it requires three days' notice before you can reduce the rates, and ten days' notice before you can increase them. Now, in your foreign commerce, as I understand it, the steam-ship lines, for instance, at Portland, charge one rate to-day and another to-morrow, and are not governed by any law practically, except the law of competition. Then how do you manage to do business with those lines when you are required to publish your rates in the United States, and state what they [illegible] inland, separate and distinct from the through rate, when the rates [illegible] changing on the steam-ship line from Portland to Liverpool? How [illegible] you get along with that?

Mr. HICKSON. We do the same thing as the other lines. We are in the same position as the other lines. I believe the Interstate Commerce Commission's decision is that the rates to the seaboard shall be charged (but I am not perfectly clear on that), and the ocean rate has to be published separately and apart from the inland rate.

Senator PLATT. Do you publish the through rate and post it from Chicago, say, to Liverpool?

Mr. HICKSON. We did do it, but I think a recent decision of the Commission changed matters. I am under the impression that when a through rate is made the inland rate has to be stated.

The CHAIRMAN. If you want to ship 1,000 bushels of grain, for instance, from Chicago to Liverpool does your agent at Chicago make a contract to ship at a given rate, without first communicating with the steam ship line to know what rates you can get on the ocean?

Mr. HICKSON. He is in constant communication with the steam-ship lines.

The CHAIRMAN. Your rates from Chicago to Portland are fixed because you can not change them, under the law, within a given date.

Mr. HICKSON. That is so.

The CHAIRMAN. Now you can not tell what you are going to charge the man who has a cargo of grain to ship to Liverpool until you communicate by telegraph with the steam-ship line at Portland?

Mr. HICKSON. I suppose we are all in that position now.

The CHAIRMAN. And you get the rate and add it to what the published rate is between Chicago and Portland for the transportation inland. Is that the way you do it?

Mr. HICKSON. Yes, sir; the ocean rate is added to the inland rate.

Senator BLAIR. Then it is for the steam-ship companies to compete, and they go up or down just enough to get the traffic at the port.

Mr. HICKSON. They do go up and down very often and it is a difficult thing to follow.

Senator BLAIR. It seems that the individuals who make a road, own the stock in another, and thus there is a practical consolidation. Is there not something similar with reference to these ocean lines? Do not the men who own the Grand Trunk have a large interest in the ocean line?

Mr. HICKSON. I can not tell. A Mr. Smith who is a holder of stock in the Grand Trunk may be a stockholder in the steam-ship line, but there is no corporate holding of an interest in these lines. There is no control over the action of these lines by the railroad company, directly or indirectly.

Senator BLAIR. But if these same men are interested in the two enterprises, the steam-ship enterprise and the railroad enterprise, their conduct may be different from what would be the conduct on the part of men who were interested in the management of two separate corporations.

Mr. HICKSON. The Allan Steam-ship Company is very much a family arrangement, the family practically control it.

Senator BLAIR. Do you know whether they own any Grank Trunk stock?

Mr. HICKSON. I have at times looked over the list of Grand Trunk stockholders, and I think they do not own much, if any; I can not say positively.

TRAFFIC OUT OF CHICAGO.

The CHAIRMAN. You say that your business now is no better than it was last year. I believe you stated that.

Mr. HICKSON. I think you are speaking of the traffic out of Chicago. I said I thought that if you took all the business going out of Chicago we are not getting more than we were getting last year.

The CHAIRMAN. With reference to this alleged increase of traffic

over your road, I will ask you, is it due to any differentials, or in what does it consist?

Mr. HICKSON. I have already endeavored to explain that. We have very excellent facilities in Chicago for the transhipment of grain from other railroads, and we have been getting a large proportion of the traffic; and whilst we have had a large increase in what is known as dead freight, we have had a less proportion of dressed meat; the business is constantly fluctuating. I have the figures for 1888 and 1887. They are:

	1888.	1887.
	Tons.	*Tons.*
Dead freight	400,651	301,895
Dressed meat	99,837	167,103
Live stock	5,880	12 516
Total	506,368	481,514

Percentage of total shipments:
1888 ..... 14.84
1887 ..... 14.95

Senator HARRIS. What are we to understand by your expression of "dead freight?"

Mr. HICKSON. Grain, provisions, and general freight.

Senator HARRIS. Is it a term used simply in contradistinction to live stock?

Mr. HICKSON. As against live stock and dressed meats.

The CHAIRMAN. Your terminal facilities are not better this year than they were last, are they?

Mr. HICKSON. Yes, we have been improving them all the time. We have an elevator for elevating grain out of cars and an apparatus for shifting cars. I think there was a State law passed that required the railroads to give receipts for specific weights in Chicago, and with that law we complied very promptly.

Senator GORMAN. I understand you to say that your increased facilities for transporting dead freight and other freight from Chicago have been very much increased in the last year, and that that accounts for the increased traffic going over your route.

Mr. HICKSON. I did say so, and I hope it is a fact that we do our business satisfactorily.

Senator GORMAN. Is there any decrease in the cost to the shipper by these increased facilities?

Mr. HICKSON. No, sir.

Senator GORMAN. Taking a thousand tons of grain for instance, how much saving in time is there?

Mr. HICKSON. I am not able to tell you. I know the object is to get a quick delivery and to give a bill of lading for specific quantities without delay. All roads do not give them. Again we have hoppers for weighing grain.

Senator GORMAN. And that is how you account for the increased traffic over your line?

Mr. HICKSON. I only know that we have not been resorting to any illicit or improper means to get the traffic.

Senator HISCOCK. And you say the dead freight received by you at Chicago is not discharged at Liverpool at less cost than by way of Boston and New York.

Mr. HICKSON. I do not think you understood me. The through rate is made up of two rates, the inland and the ocean rates. They are quoted rates and known in Chicago.

Senator HISCOCK. I understood you to say that sometimes they are less and sometimes more?

Mr. HICKSON. Certainly.

Senator HISCOCK. And I understood you to say, also, that the rate from Portland was regulated or based upon the rates from New York and Philadelphia.

Mr. HICKSON. The ocean rates, yes, more or less.

Senator HISCOCK. It is your understanding that dead freight can be delivered in Liverpool from Chicago at less cost by your route than it can by way of Philadelphia, New York, or Baltimore?

Mr. HICKSON. In some instances it may. As a general rule I do not know that there is a very great difference.

Senator HARRIS. If I understand you, the rate to Liverpool depends on whatever the steam-ship rate may be at the time, added to your published rates from Chicago to Portland.

Mr. HICKSON. That is as I understand the practice, sir, at the present time.

Senator HISCOCK. And you further stated that in no instance was the steam-ship company allowing a rebate or was any compensation made to them by the railroad company.

Mr. HICKSON. I said nothing of the kind was done to my knowledge.

Senator GORMAN. Or a rate fixed by which they could make a rebate to the shipper. I understand you further to say, Mr. Hickson, that in the adjustment between your railroad company and the steam-ship company you do not fix their proportion with a view to enabling them to give a rebate or drawback to any of the shippers.

Mr. HICKSON. Certainly not.

Senator PLATT. Is your rate to Portland the same as your rate to New York?

Mr. HICKSON. The inland rate you mean?

Senator GORMAN. Yes.

Mr. HICKSON. Yes, the same as the New York rate, I am informed.

RELATIONS TO THE CANADIAN PACIFIC.

The CHAIRMAN. Have you any competition in business with the Canadian Pacific?

Mr. HICKSON. Oh, yes.

The CHAIRMAN. Where?

Mr. HICKSON. We are in places almost parallel lines. They have a line running from Montreal to London, in Ontario, and they are building a line from London down to Detroit. That will be a competitive line of about 520 miles, I suppose.

The CHAIRMAN. All in your own country?

Mr. HICKSON. Yes.

The CHAIRMAN. Do you find any difficulty in competing with them?

Mr. HICKSON. We have not found very much so far.

The CHAIRMAN. You can take care of yourself?

Mr. HICKSON. I think so.

Senator BLAIR. Their line is not finished yet, is it?

Mr. HICKSON. No, sir; but they have been working in connection with the Michigan Central for western traffic.

SUBSIDIES TO THE CANADIAN PACIFIC.

The CHAIRMAN. As we understand it in this country generally, the Dominion Government very largely aided the construction of the Canadian Pacific. Is that so, or do you know the fact?

Mr. HICKSON. It is undoubtedly so.

The CHAIRMAN. Do you know to what extent?

Mr. HICKSON. I will give you the figures to the best of my knowledge if you will take them in that way; if not I had rather not quote them. There were lines constructed by the Dominion Government to the extent of nearly thirty-seven millions, which were turned over to the Canadian Pacific.

The CHAIRMAN. Constructed by the Government outright?

Mr. HICKSON. Yes, sir.

Senator PLATT. Which were existing at the time the Canadian Pacific started?

Mr. HICKSON. Partly existing and partly completed afterwards. There was in cash I think $25,000,000. And there were lands given worth, perhaps,—it depends upon what you value them at—$50,000,000.

Senator HISCOCK. In connection with this subsidy, Mr. Chairman, I would like you to call the attention of the witness to the fact that the railroad companies on this side seem to think that inasmuch as the Canadian roads have an advantage, there have been suggestions made here of legislation that would protect our roads against an evil of that kind, if it exists, and ascertain what Mr. Hickson's views are with regard to proper legislation on that subject, and which he thinks they would be willing to carry and bear, and which would insure our roads against these evils. However, I do not wish the question pressed at this time, but merely make the suggestion for the purpose of getting Mr. Hickson's views before he finishes his statement before us this afternoon. I do not wish to interrupt the line of inquiry of the chairman at this time.

The CHAIRMAN. At the suggestion of Senator Hiscock we will leave the matter referred to by him for the time being.

Were there not, Mr. Hickson, twenty-five millions in bonds as a lien upon the lands?

Mr. HICKSON. I think I have mentioned the whole value of the lands. I think I know now to what you refer. The government guarantied a loan of the Canadian Pacific of, I think, fifteen millions last year issued on the security of the unsold portion of the lands, and I think they got the money at 3½ per cent.

The CHAIRMAN. What is the total amount that went into that road in construction, support, guaranty, etc., on the part of the Canadian Government?

Mr. HICKSON. The last mentioned is not a direct liability of the government. It was only an assistance to borrow. The total of the figures I have given you (apart from the $15,000,000) is one hundred and twelve millions on about twenty-six hundred miles of railway. I hope, however, you will not question me too much on the affairs of a competitor. Besides, having, as I understand you will, the president of that company before you, I am sure he will give you all the information.

REGULATION OF CANADIAN COMMERCE.

The CHAIRMAN. We will go back, then, to this question of the regulation of commerce. Your roads are doing a vast amount of business

in the United States. We are undertaking to regulate commerce among the several States under our Constitution, and under it have a right to regulate commerce with foreign countries by the United States. Now, suppose the United States should determine that the regulation that now exists, as it reaches to the traffic of your road or of Canadian roads generally, is not sufficient, and we should require that before you could do business in this country that you should in your own country come under the interstate-commerce act of the United States and obey it; what say you to that?

Mr. HICKSON. I think that involves an international question which no railroad company would be permitted to deal with alone. It might be attempted by an agreement between the American and Canadian companies, or by the Canadian roads giving some bond binding themselves to do so and so; that is all that could be done. I do not consider it would be practicable.

Senator HISCOCK. What would you suggest with respect to our giving power to the Interstate Commerce Commission with regard to the transportation of traffic from this country into Canada, that would delegate to the Commission the right of inspection of and supervision over that trade, so as to insure against these rebates or drawbacks being given.

Mr. HICKSON. I could not suggest anything to remedy an evil that I think does not exist. I have said that these rebates and allowances are not made, and as regards the international traffic we recognize to the fullest extent the power of the commissioners. We are willing to lay our books and papers before them at any time, and give them all the information in regard to anything that affects the international traffic and traffic going from and to the States of the Union through Canada.

Senator HISCOCK. Then you would not object to the law imposing as a condition that you should do that?

Mr. HICKSON. That is what we understand the law to impose to-day. We recognize the right of the commissioners to do that in regard to such traffic.

The CHAIRMAN. To go into your country and make an examination of your books?

Mr. HICKSON. We have no objection to their doing so in regard to international traffic. They can take us to Washington, and have the right to make us exhibit our books which relate to such traffic.

Senator BLAIR. Suppose they examine your books to see if you get an advantage in regard to international business?

Mr. HICKSON. We let them have all our tariffs. We think that we stand in the same position to-day as does the New York Central, for instance. I say further that I think the local rates in Canada are not more than the local rates on the American lines.

COMPARATIVE EXPENSES OF CANADIAN ROADS.

Senator BLAIR. Are not your operating expenses in the way of rolling stock and labor and material such that you can at the same rate as the American roads have an advantage over the American roads?

Mr. HICKSON. In some things we would be a little cheaper. Wages would be a little less, but we labor under the disadvantage of a more severe climate, entailing upon us a good deal of expense in winter. As a matter of fact, I had occasion a few days ago to go into figures in regard to the expenditure of the Grand Trunk, and comparing our expenditure with that of the Erie and the Pennsylvania Railways; and taking into consideration that we pay a very much higher rate for coal,

our expenses are just about the same as the Erie and Pennsylvania, perhaps a little higher.

Senator BLAIR. Are the expenses on this local business in Canada as much as in the United States?

Mr. HICKSON. I think quite so.

Senator BLAIR. The expense of running your road, you say, is not less than running a road doing a corresponding business in the United States?

Mr. HICKSON. I do not think so. On the whole it is higher. If in one thing our expenditure is lower in another it will be higher, but on the average it will be higher.

Senator BLAIR. Your wages are not more than two-thirds of what they are in this country?

Mr. HICKSON. Oh, yes.

Senator BLAIR. Take labor on the full length of your road, do you think it costs more than two thirds of what it is over a corresponding distance on the New York Central or Pennsylvania?

Mr. HICKSON. I think on the American divisions of our railroad we pay laboring men 10 cents a day more than similarl abor is paid in Canada. I am speaking of the average.

MILEAGE OF THE GRAND TRUNK.

The CHAIRMAN. What is the total mileage of your Grand Trunk proper and its feeders?

Mr. HICKSON. I think I have it here. It is as follows:

	Miles.
Lines in Canada owned and leased	3,119
Lines in the United States:	
Leased and operated as a part of the Grand Trunk system	360
Controlled and operated in harmony with the Grand Trunk	617
	4,096

Senator PLATT. Do you have much export trade by way of Portland?

Mr. HICKSON. I think it consists simply of lumber going to the West Indies and South America.

Senator PLATT. And the ocean rates at Montreal are about the same as at Philadelphia?

Mr. HICKSON. I had reference to the inland rate when I spoke. The inland rate to Montreal is based on that to Philadelphia. The Philadelphia rate is a little less than New York. I see that in the six months ending the 31st of December, 1888, the total number of tons carried by the Grand Trunk was practically four millions.

The CHAIRMAN. That is the entire traffic done by your system?

Mr. HICKSON. Yes, sir.

The CHAIRMAN. You do not know what portion of that you got from the United States.

Mr. HICKSON. That is all the work done on the Grand Trunk system in both countries—local and general.

Senator BLAIR. You say so many tons; you mean tons that have been received and discharged, or does it have any relation to the distance each ton was carried?

Mr. HICKSON. The tons we handled and not the number carried a mile.

Senator BLAIR. Without reference to the distance carried.

Mr. HICKSON. Yes; for the year 1888 it is 7,300,000 tons of 2,000 pounds. The tonnage hauled from points in the United States through

Canada to points in the United States again by the main line of the Grand Trunk was 792,000 tons. Between the rivers, that is Niagara and Detroit and St. Clair, 1,380,000 tons.

The CHAIRMAN. I see it stated in this pamphlet issued by the Interstate Commerce Commission, in connection with the tonnage of the United States railroads, which you recognize as being part of your system, the tonnage is 3,687,054.

Mr. HICKSON. That would be for tonnage beyond the Detroit and St. Clair Rivers, in the States.

The CHAIRMAN. Is that included in your 7,000,000?

Mr. HICKSON. No, sir; only part of it.

Senator GORMAN. How many tons in one year, according to that statement, go across our border or via the points where you connect?

TRAFFIC BETWEEN CANADA AND THE UNITED STATES.

Mr. HICKSON. That I can not tell; it is a very large amount. But I am going to make a statement, which I make after a good deal of thought, and that is that the receipts that the American lines get for carrying traffic to and from Canada are as great, if not greater, than the Canadian lines get for carrying United States traffic.

Senator GORMAN. What do you mean by that?

Mr. HICKSON. I mean they are carrying traffic to and from the seaboard to Canada all the time, and they are carrying traffic generally to and from Canada, and that the receipts on that traffic are as great if not greater than our receipts for carrying American traffic. I can not demonstrate it by figures, but I think it probably yields as large or larger income to the American transportation companies than the receipts the Canadian lines get for carrying traffic from one part of the United States through Canada into another part of the United States.

Senator HISCOCK. You mean the freight that originates in Canada which is carried to our sea-board, is larger than the amount of American freight taken from the sea-board to Canada and stopping there. To put it more plainly, you mean that the volume of freight taken from the United States into Canada and stopping there is greater than the amount of freight that is carried from a point in the United States to Canada and then into another part of the United States.

Mr. HICKSON. I think the receipts of the American companies on traffic carried to and from Canada are as large or larger than the receipts which the Canadian companies derive from United States traffic carried through Canada.

The CHAIRMAN. That is, the foreign trade of Canada through the United States is greater than the foreign trade of the United States through Canada; is that it?

Mr. HICKSON. Yes, sir, I think it is; but I referred to all traffic to and from Canada handled by the American companies.

Senator GORMAN. Can you give the figures for traffic going across the border for 1888?

Mr. HICKSON. I saw a statement the other day partly compiled from statistics of the government statistician and partly from other sources which makes it about 3,000,000 tons to and from Canada a year, and I calculate that it was carried on an average 300 miles, and that at a rate of seven parts of a cent a mile would make over $6,000,000. Of course these figures are to some extent estimates.

The CHAIRMAN. But you can furnish the exact number of tons you received at the bridge at Niagara which passed both ways?

Mr. HICKSON. That would be a very elaborate statement to prepare, because it comes in great detail and is mixed up with other consignments.

The CHAIRMAN. Going East there is nothing passes over that bridge except American products, is there?

Mr. HICKSON. Yes, traffic to and from Canada for Europe, the States, etc. The estimate of tons for the year ending the 30th of June, 1887, going to and from the whole line of the Grand Trunk Railway in Canada over United States lines is 1,534,000 tons. In addition to all that there is a traffic going to and from the lower provinces by the Maine Central, and there is traffic passing over the Canadian Pacific, the Canada Southern, and the Canada Atlantic, and business at different other points.

The CHAIRMAN. Are you building a line from any point to Halifax, or is it the Canadian Pacific that is building it?

Mr. HICKSON. It is the Canadian Pacific that is building what is known as the short line through Maine. It is the Atlantic and Northwestern properly speaking, but it is leased by the Canadian Pacific.

The CHAIRMAN. The Canadian Pacific controls it?

Mr. HICKSON. Yes, sir.

The CHAIRMAN. It runs through Maine also, does it not?

Mr. HICKSON. Yes, sir; it runs through the State of Maine about 145 miles.

The CHAIRMAN. When that road is completed it will be a strong competitor of yours, will it not?

Mr. HICKSON. Yes, sir; it will be a competitor.

NEWLY SUBSIDIZED LINES.

The CHAIRMAN. Do you know anything in reference to a subsidized steam-ship line from Halifax to Europe?

Mr. HICKSON. At the session of the Dominion Parliament just closed, a subsidy was voted for a fast steam-ship line, but the port of arrival and departure is not settled. It would be Montreal in summer, probably.

Senator BLAIR. It will not be Portland, I suppose.

Mr. HICKSON. No, sir.

The CHAIRMAN. How much is the subsidy, if you know?

Mr. HICKSON. I think it is one hundred thousand pounds per annum, for which the line would have to carry the mails.

The CHAIRMAN. Does the Dominion Government pay the Canadian Pacific any subsidy for the line that crosses the State of Maine?

Mr. HICKSON. The sum of $250,000 a year was voted by Parliament to be paid for twenty years to secure a short commercial route to the lower provinces. It was subsequently divided into three sections, one section embracing the line from the neighborhood of the St. Lawrence, at Montreal to Lennoxville in the eastern townships; the eastern section from Lennoxville, crossing the State of Maine to Mattawamkeag; the next was from a point named Harvey to Salisbury, near Moncton, on the Intercolonial Railway. The subsidy in respect to the first two sections when earned will be $71,100 and $115,500 per annum respectively.

The CHAIRMAN. How much of that subsidy does the road through Maine get?

Mr. HICKSON. It is not separated entirely from a part of the line in Canada, but the portion which includes that through Maine I think is

subsidized to the extent of $115,000 a year. The piece not constructed was subsidized to the extent of $63,000. It is not built, and not likely to be built under that arrangement.

The CHAIRMAN. That road going east is intended to have a terminal at Halifax, is it not? I refer to that road that goes across the State of Maine.

Mr. HICKSON. They arranged for a terminal at St. John. The export traffic can reach Halifax by going over the Intercolonial, but it is not apt to go that way.

The CHAIRMAN. But with that sort of subsidized line and with a subsidized steam-ship line to meet it, you will have pretty rough sailing, will you not?

Mr. HICKSON. We look upon it that we shall lose a certain portion of the traffic.

The CHAIRMAN. Did you state the amount of subsidy to the steam-ship line?

Mr. HICKSON. To the best of my recollection it is £100,000 a year.

Senator PLATT. But the steam-ship line is not designated.

Mr. HICKSON. No, sir, and the port is not. In summer it will undoubtedly be Montreal. For winter I do not know that the port is settled upon.

Senator GORMAN. You will share in that benefit in Montreal in summer?

Mr. HICKSON. To the extent that it increases the traffic and we get a part of it, but our competitors are there to get part of it also. I am not sanguine that it is going to increase anything very much except the expenses of the Dominion.

Senator GORMAN. Ought it not decrease the cost of moving a ton of freight from Montreal?

Mr. HICKSON. No, sir; I do not think it will, because they are to be boats suitable to carry the mails and passengers and not suited to carrying freight. Mail boats and freight vessels are not the same thing.

Senator PLATT. You say a line of road that commences at Lenoxville and ends at Mattawamkeag, the larger mileage being in Maine, is to receive $115,000 a year for twenty years?

Mr. HICKSON. Yes, sir.

TRAFFIC FROM THE UNITED STATES OVER THE GRAND TRUNK.

The CHAIRMAN. Coming back to the question of tonnage, is it not practicable for you to give the number of cars and the amount of tonnage that passes out of this country—from New York, for instance—over your line, or at every point in this country the tonnage that passes over your line and gets into Canada? Is not that a practicable thing for you to give us?

Mr. HICKSON. These statistics that I was quoting from were in part collected by the government statistician, and they make out the tonnage coming to and going from the Grand Trunk Railway to the American railways for the year ending June 30, 1887, to be 1,534,000 tons.

Senator BLAIR. But we get no idea of the assistance that you draw from the production of the United States from those figures.

Mr. HICKSON. I gave the figures to you. One set was by the main line of the Grand Trunk and one between the Detroit and Niagara rivers, and I think I can give you the tonnage to Montreal from the Western States. In 1888 the tonnage from the Western States to Montreal amounted to 71,992 tons.

Senator BLAIR. Over your road?

Mr. HICKSON. Yes. The same year to Portland it was 92,241 tons. These figures include the export traffic.

Senator BLAIR. How much do you draw from the West easterly from Montreal via Rouse's Point?

Mr. HICKSON. Very little goes through Rouse's Point, except the Montreal traffic. I gave what comes over the main line coming on at Windsor and Point Edward, and going eastward to the Portland line and the Central Vermont district, and also by the Niagara frontier, and *vice versa*, and repeat the figures: seven hundred and ninety-two thousand in one case, and one million three hundred and seventy-nine thousand in the other.

Senator BLAIR. What proportion of the entire business done on your road originates in the United States, without reference to where you discharge it?

Mr. HICKSON. That would mean the importations into Canada from the United States, and that I am unable to give.

Senator BLAIR. I mean to what extent your Canadian road is dependent on the United States for existence.

Mr. HICKSON. I can not give you that.

Senator BLAIR. Do you believe that one-tenth of the business of the Grand Trunk Railroad originates in the production of Canada?

Mr. HICKSON. O, yes.

Senator BLAIR. Do two-tenths?

Mr. HICKSON. Much more.

Senator BLAIR. Well, what proportion?

Mr. HICKSON. It is only guess-work. I think probably of the seven millions and odd tons between 60 and 70 per cent. is Canadian.

Senator BLAIR. Then you are six-tenths a Canadian road and four-tenths a United States road. In reference to the real questions here, it is important for us to know to what extent you are a United States road and to what extent a Canadian road in earning power.

Mr. HICKSON. I can not give you these figures accurately, because the tonnage I am quoting is partly on the American lines. The seven millions of tons would take in a portion of Canadian traffic carried over the Atlantic district, for instance.

TRAFFIC ORIGINATING IN THE UNITED STATES.

Senator PLATT. Could you not furnish us with a statement of the amount of tonnage carried by your road in Canada which originates in the United States? I do not mean to-day, but can you not furnish it at some time?

Mr. HICKSON. Do you mean, sir, the tonnage that originates in the United States, or that comes through and from the United States into Canada?

Senator PLATT. All that goes over your road in Canada that originates in the United States—hauled on your road.

Mr. HICKSON. I have quoted those figures to you—I mean the through traffic—but I think you are asking me for something else. I want to be clear as to what is wanted, because I have no objection to giving you anything that I can give you. Are you speaking of traffic that comes from the United States into Canada and stays there, or traffic that comes from the United States and goes through Canada into the United States again?

Senator PLATT. What I am talking about is business that originates in the United States that is hauled on your road in Canada.

Senator GORMAN. No matter what is its final destination.

Senator HARRIS. Whether for a foreign port or what not?

Senator PLATT. Business that originates in the United States and hauled on your road.

Mr. HICKSON. I shall give you that if I can; if I have the information I will furnish it. The difficulty is that there is traffic which comes through the United States from foreign countries.

The statement is as follows:

YEAR 1888.

	Tons.
The tonnage from the United States coming into Canada, which includes importations from Europe and elsewhere through the United States, it being impracticable to separate such from the general business. (The figures include 603,592 tons of coal carried as freight)	1,073,000
There are, in addition to the foregoing, about 485,000 tons of coal per annum purchased by the Grand Trunk Company in the United States and brought into Canada, very nearly all of which comes in by railway.	
The tonnage carried by the company through Canada, from States to States, was, in 1888, about	2,171,000
The tonnage, purely local, to the United States roads, the operations of which are included in the Grand Trunk returns (*i. e.*, in the 7,330,000 tons)	371,000
	3,615,000
The tonnage originating in Canada, and apart from importation from the United States, was	3,715,000
The receipts of the Grand Trunk Company in Canada, in 1888, were	$16,900,000
On traffic originating in the United States, which includes foreign importations through the United States from Europe and elsewhere, via Portland, Boston, etc., for Canada	$5,300,000
On traffic originating in Canada	11,600,000
	16,900,000

Senator BLAIR. You do business between the St. Lawrence and St. Clair Rivers and Port Huron, and you do local business all through Michigan, do you not?

Mr. HICKSON. Yes, sir.

Senator BLAIR. You control lines in Michigan, do you not?

Mr. HICKSON. Yes, sir.

Senator BLAIR. And some of your roads which you control begin and end in that country?

Mr. HICKSON. Yes, sir.

Senator BLAIR. And that is a very valuable part of your business. You do a business beginning and terminating in Canada, and in New England you do a local as well as a through business. I would like to know to what extent the income of your road comes from business that originates in the United States, regardless of the place where it terminates, whether in Canada or in a foreign country, or whether it be through business or local business. I would like to know the business you do and the money you get from the business coming from the United States.

Mr. HICKSON. The difficulty in giving that is to separate the business that comes through the United States from that which originates there.

Senator BLAIR. It does not make any difference.

Mr. HICKSON. You spoke of business originating in the United States. Business coming through New York is European business and carried

over United States lines into Canada, and that makes it difficult to make the analysis.

Senator BLAIR. You know how much you ship over your roads from the port of New York that comes from abroad, do you not?

Mr. HICKSON. No, sir; we are not a line in New York.

Senator BLAIR. You have a connection in New York?

Mr. HICKSON. Yes.

Senator BLAIR. Do you participate in the profits?

Mr. HICKSON. There is business going from New York City to Canada and business coming to the port of New York from abroad going into Canada, and my difficulty is to separate it so as to tell which is which. A large portion of the business coming into Canada does not originate in the United States.

Senator BLAIR. Looking at this map and knowing your country as well as ours you will observe that nearly all the connections of your road originate in the United States. Your connections extend all over the Northwest and Southwest. This section between Montreal and Detroit can not produce one-twentieth part of the business that your road gets.

Mr. HICKSON. In that I think you are mistaken, because there is an immense lumber business done in that region.

Senator BLAIR. Well, a good deal of that is brought into the United States, is it not?

Mr. HICKSON. Yes, sir; and a great deal shipped at Montreal.

Senator BLAIR. When that same business reaches the United States it is United States business, and your income from that business which you did in the United States in transporting property which came from Canada should be added to the United States business of your road, to show to what extent you are a Canadian road and to what extent you are a United States road. I think I could make as good a guess as you in saying that the Grand Trunk is at least four-fifths a United States institution.

Mr. HICKSON. You mean in its traffic?

Senator BLAIR. In its aggregate traffic and income.

Mr. HICKSON. Well, I can only say that is not my impression.

EFFECT OF THE CANADIAN SUBSIDIES.

The CHAIRMAN. Let me ask you another question. We were talking a while ago about subsidies. According to your statement there were some $600,000 a year subsidy, or nearly that, guaranteed to the railroads and steamers of this Canadian Pacific system, the purpose of which seems to be to get a road through the Canadian Dominion, terminating at Halifax or St. John, or somewhere in that locality. Now that is a tremendous subsidy, and the purpose of it would seem to be to divert from the ports of Portland and Boston the foreign trade that now belongs naturally to those places into Canadian jurisdiction, is not that so?

Mr. HICKSON. I doubt, sir, if that will be the effect of the subsidy that is proposed to be granted to a line of steamers. The object is to get a fast line of steamers for passenger traffic and mails. The Canadian Pacific are looking to improving the transportation through Canada to the East, and to attracting a portion of the traffic from Europe across this continent. But I do not think a fast line of steamers is calculated to attract a great deal of freight.

The CHAIRMAN. They are not only, it seems to me, subsidizing railroads of which they are building portions through the United States,

but are subsidizing steam-ship lines, the purpose of which would seem to me to be to divert trade from American ports to ports belonging to the Canadian Government.

Mr. HICKSON. Are you asking me for an expression of opinion?

The CHAIRMAN. I am expressing my own opinion now, and I would like to know of you whether the effect is not to take away from the ports of Portland and Boston a very large amount of the foreign trade they now have?

Mr. HICKSON. I have not the least hesitation in expressing an opinion on that subject. There is already an excellent line of steamers running to Portland in winter and the St. Lawrence in summer, and doing a freight business satisfactorily, and there are other lines in the summer running between London and other ports and the St. Lawrence and other ports in this country; and I do not think that a fast line of steamers, carrying mails and passengers to St. John or Halifax, will seriously divert freight traffic from any port in this country. It may divert some passengers, that is all.

The CHAIRMAN. Then the subsidies do not apply to freight vessels?

Mr. HICKSON. No; only to passenger and mail steamers, which are not freight-carrying boats; and the line will not, in my opinion, affect the traffic of Boston and Portland at all. For my own part I would rather see this line of steamers running into Halifax or St. John, and have a through line running straight into Portland, than otherwise; that is, than have the Portland boats calling at these ports. I think Portland would get the freight under such an arrangement.

The CHAIRMAN. If you have a subsidized railroad running clear through Canada from one end to the other, its terminal being at St. John, and the Government sustaining it by subsidies, that railroad would be pretty apt to carry a good deal of freight there to the ships coming to take it.

Mr. HICKSON. Efforts have been made at times to carry freight through Halifax for years past. On one or two occasions some years ago we agreed that the Grand Trunk might be used to try the experiment, and it was abandoned as impracticable.

The CHAIRMAN. Why?

Mr. HICKSON. No one could afford to take it.

The CHAIRMAN. Why not?

Mr. HICKSON. Because the ocean rates from Halifax to Europe were not sufficiently lower than the ocean rates from Portland or Boston to compensate for 500 miles of extra railway.

MILEAGE AND CAPITAL STOCK OF THE GRAND TRUNK.

Senator GORMAN. What is the mileage of the Grand Trunk road in Canada?

Mr. HICKSON. Three thousand one hundred and nineteen miles.

Senator GORMAN. Now, what mileage do you control in the United States?

Mr. HICKSON. We have 360 miles worked as part of the Grand Trunk system in the United States. I will give you the figures as to the lines that are worked in connection with us.

Senator GORMAN. It is, I believe, 1,000 miles, in round numbers.

Mr. HICKSON. Six hundred and seventeen miles of such lines.

Senator GORMAN. You reported to the Interstate Commerce Commission that you controlled, one way or another, railways to the extent of about 900 miles.

Mr. HICKSON. Yes, that might be at some previous date. According to the figures I have given you it would be 977.

Senator GORMAN. Now, what is the capital stock of the Grand Trunk in Canada? How much is there in all of it?

Mr. HICKSON. The Grand Trunk—all its Canadian lines—eighty millions of loans and debenture stock, ninety-two millions of preferred stock, one hundred and eight millions of ordinary stock, making altogether, in round figures, two hundred and eighty millions.

Senator GORMAN. On 3,000 miles of road?

Mr. HICKSON. On 3,119 miles.

Senator GORMAN. Now, the capital that you have in these lines wholly in the United States is put down in this report at $46,277,472; is that correct?

Mr. HICKSON. That statement, I think, is a little wrong. The Chicago and Grand Trunk is put down here as twenty-two millions. It has eighteen millions six hundred thousand of total capital. I do not see the Grand Trunk Junction Company mentioned, and it has a capital of about $4,000,000. The Grand Haven is about right, and so is the Muskegon Railway. I do not know whether the Atlantic road is given there or not.

Senator GORMAN. I think not.

Mr. HICKSON. The only one I see which is not clearly stated is the Chicago and Grand Trunk. It is not $22,000,000, but $18,600,000.

Senator GORMAN. That makes the aggregate capital of your roads in this country over fifty millions?

Mr. HICKSON. The aggregate capital of the American lines in which the Grand Trunk Company is interested is about forty-seven millions. I see on looking again at the statement that something for the Terminal Company in Chicago is added to the Chicago and Grand Trunk. It does not alter the aggregate materially.

EARNINGS OF THE GRAND TRUNK.

Senator GORMAN. Then the gross earnings of the Grand Trunk in Canada, taking the year of 1888, for instance, were what?

Mr. HICKSON. In 1888 they were $18,318,906.

Senator GORMAN. That is the Grand Trunk proper?

Mr. HICKSON. That does not include the Chicago and Grand Trunk, or the Grand Haven, or the Muskegon lines.

Senator GORMAN. I am dividing it. I asked for the gross receipts for 1888 for the Grand Trunk in Canada.

Mr. HICKSON. I misunderstood you; in round figures it is $16,900,000.

Senator GORMAN. And what on the lines on the American side?

Mr. HICKSON. One million four hundred and sixty-nine thousand dollars, say $1,470,000; but that does not include the Chicago and Grand Trunk, the receipts and expenses of which are given separately, as are also those of the Grand Haven; they are in a statement furnished to the Interstate Commerce Commissioners.

Senator GORMAN. It is put down in this statement that your gross earnings on the roads which you operate, lease, own, or control is $6,196,655.29.

Mr. HICKSON. Well, those figures can be got from the returns. I am afraid I have not got them with me.

Senator GORMAN. I suppose that is the return made to the Commission by your company.

Mr. HICKSON. In all probability. You are referring to a judgment of Commissioner Schoonmaker, are you not?

Senator GORMAN. Yes.

Mr. HICKSON. Probably compiled from some returns to the Interstate Commerce Commission, or made up by the clerk of the Commission.

Senator GORMAN. What do you make the receipts of all combined—of everything you control?

Mr. HICKSON. I do not think I have that prepared, but I may be able to give it to you by going over the several returns. I understand that what you want are the receipts of the Grand Trunk and the American lines combined, and the receipts of the Grand Trunk in Canada, and the gross tonnage?

Senator GORMAN. Yes.

Mr. HICKSON. It is as follows:

Year 1888.

Aggregate receipts of the lines of the Grand Trunk Railway in Canada.	$16,900,0[illegible]
Aggregate receipts of the lines operated by and in connection with the Grand Trunk Railway in the United States	5,839,[illegible]0
	22,739,000
Aggregate tonnage moved by the Grand Trunk lines in Canada	6,959,481
Aggregate tonnage moved by the lines operated by and in connection with the Grand Trunk Railway in the United States	4,604,261
	11,563,742

Senator GORMAN. What percentage of receipts does it cost to operate the Grand Trunk in Canada?

Mr. HICKSON. It varies from 69 to 75 per cent. It depends on the weather somewhat.

Senator GORMAN. What does it average, taking a period of five years?

Mr. HICKSON. I can not really quote it without adding up the gross figures and making a computation. Perhaps not less than 72 per cent.

Senator GORMAN. Now, do you get any aid from the Canadian Government in any way to keep up your road?

Mr. HICKSON. No, sir; none.

The CHAIRMAN. Your road is purely a commercial road?

Mr. HICKSON. We get a scanty sum for carrying the mails.

The CHAIRMAN. Your road is a commercial road and the Canadian Pacific is a political road; is that not about it?

Mr. HICKSON. I would rather not characterize the Canadian Pacific as a political road, but the Grand Trunk is a commercial road, carrying on business on business principles, and operated to give facilities to the country through which it passes.

Senator GORMAN. On a capital of two hundred millions and 18 per cent. net receipts and 72 per cent. operating expenses your earnings are about $18,000,000.

Mr. HICKSON. You asked me as to working expenses for an average. I wish to say that what I have stated as to the average working expenses is an estimate.

The CHAIRMAN. If there is nothing further to ask of Mr. Hickson we will excuse him. We thank you, Mr. Hickson, for your kindness in coming here, and your patience in allowing yourself to go through such a lengthy examination. You can add to your statements here the data which have been called for.

Mr. HICKSON. Now, gentlemen, I wish to say that if you want me at any time I will be glad to attend, and to give you any information

that I can, and if you are in Canada I will be glad to show you all that you may wish to see about the Grand Trunk road and its affairs on the spot.

I would ask to be supplied with a copy of the evidence that I have given, in case I might like to make corrections in it.

Senator HISCOCK. I would like to have Mr. Hickson furnished with the evidence taken of Mr. King, and the others, with reference to the steps which we think should be taken to improve or amend this interstate commerce act.

The CHAIRMAN. The testimony will be printed, and Mr. Hickson will see it.

Mr. HICKSON. What I want is to have the evidence that I have given in order to correct it in any particular in which I may have fallen into error.

STATEMENT OF S. M. FELTON, JR.

Mr. S. M. FELTON, Jr., first vice-president of the New York, Lake Erie and Western Railroad, appeared.

The CHAIRMAN. What is your name and business?

Mr. FELTON. S. M. Felton, jr.; I am first vice president of the New York, Lake Erie and Western Railroad.

The CHAIRMAN. Have you any special control of the traffic business of that road?

Mr. FELTON. Yes, sir; that is under my jurisdiction.

The CHAIRMAN. You have been listening to-day to what has been said here, and doubtless have read something of what was stated here on yesterday.

Mr. FELTON. I read what the papers had to say on the subject.

The CHAIRMAN. Can you give the committee any information, in addition to what we have had from Mr. King, in relation to the traffic of your road, or do you not know what he said?

Mr. FELTON. I do not know just what he said, but I could answer any questions that you might wish to ask me in reference to it.

The CHAIRMAN. What are the terminals of your road?

Mr. FELTON. New York, Buffalo, Dunkirk, and Piermont on the Hudson. Those are the terminals of the original Erie road, or what is called the Erie proper. Then there is the New York, Pennsylvania, and Ohio Road, which goes to Cincinnati, Cleveland, and, by the Chicago and Atlantic, to Chicago.

The CHAIRMAN. Is that a part of the Grand Trunk system?

Mr. FELTON. No, sir.

The CHAIRMAN. What is it, then?

Mr. FELTON. It is a line running south of the lakes.

The CHAIRMAN. Is it entirely in the United States?

Mr. FELTON. Yes, sir.

The CHAIRMAN. Have you any business relations or connections with the Grand Trunk?

Mr. FELTON. Yes, sir.

The CHAIRMAN. Just the ordinary business connections?

Mr. FELTON. We have quite intimate connections with the Grand Trunk.

The CHAIRMAN. What are they?

Mr. FELTON. Our connection with them is at International Bridge and Suspension Bridge.

The CHAIRMAN. At those two bridges?

Mr. FELTON. Yes, sir; we exchange passenger, freight, and coal traffic with them.

The CHAIRMAN. On what terms?

Mr. FELTON. On the basis of divisions that have been in force for a number of years by all lines east of Buffalo.

The CHAIRMAN. Are you getting any differential in your arrangement with these other trunk lines?

Mr. FELTON. We have a differential on our west-bound business out of New York City and out of New England, ranging from 5 cents a hundred pounds on first class down to a cent a hundred on sixth class.

Senator PLATT. Whether the freight goes over the Grand Trunk or not?

Mr. FELTON. Yes, sir; on any of our connections.

The CHAIRMAN. What are your connections?

Mr. FELTON. One connection is by Salamanca, one by Buffalo and the Nickel Plate, and one by the bridges and the Grand Trunk road.

Senator PLATT (to the chairman). Ask Mr. Felton why that differential is necessary.

The CHAIRMAN. Senator Platt wants to know why that differential is necessary.

Mr. FELTON. Prior to the passage of the interstate-commerce law we had the pooling system, under which we worked, and under that system the Erie road was allowed a certain share of the traffic. We found that under the operation of the interstate-commerce law and its observance, as we understood it, we were losing ground and losing traffic, and we made application to the other roads for what is known as a differential to enable us to carry our fair share of the business.

Senator PLATT. Have you not as short a line to Chicago as any road?

Mr. FELTON. No, sir; the Pennsylvania road has the shortest line.

The CHAIRMAN. Why did you lose business under the operation of the interstate-commerce act or its observance?

Mr. FELTON. It is very difficult to say. We think we lost a good deal of business because we maintained rates.

The CHAIRMAN. Do you mean to say your rates were higher than on the other trunk lines?

Mr. FELTON. Yes, sir; I think that we probably misinterpreted the law, or at least interpreted it more rigidly than our competitors did.

The CHAIRMAN. Do you mean to say that you obeyed the law and your competitors did not?

Mr. FELTON. That is exactly what I mean.

The CHAIRMAN. You do not mean that your published rates were higher than those of the other roads?

Mr. FELTON. Our published rates were the same, but I think we were charging more than some of our competitors charged, not more than the New York Central, however.

The CHAIRMAN. You think that is the reason you lost business?

Mr. FELTON. Yes, sir.

The CHAIRMAN. And it was a violation of the law by the other roads, some of them, at least, that resulted in your losing a good deal of business?

Mr. FELTON. They did not consider it a violation of the law. I believe the Interstate Commerce Commissioners themselves were in doubt about the law as applying to joint tariffs; and all the business referred to was done on joint tariffs.

The CHAIRMAN. It was on the joint-tariff business that this cutting was done, if there was any?

Mr. FELTON. Yes, sir.

The CHAIRMAN. Do not the amendments recently passed correct that?

Mr. FELTON. Yes, sir; I think they do.

The CHAIRMAN. Do you think you are on as good a footing now to get business as they are?

Mr. FELTON. I think we are, if the law is observed.

The CHAIRMAN. Is there any reason, then, why you should receive that differential now?

Mr. FELTON. Yes; I think so, until we get back the traffic that we have lost. We are very much behind on business both east and west bound.

THE OPERATION OF THE POOL.

The CHAIRMAN. The president of your road stated yesterday that your road received about half a million dollars a year under the pooling system.

Senator HARRIS. His statement was that the Erie road lost a half a million dollars a year by reason of the abolition of the pooling system under the interstate commerce act.

Mr. FELTON. Well, I will give you an idea of just how it has been running by going back to the time when pools were first formed. On the west-bound business from New York during the period from July 1, 1877, to March 31, 1887——

Senator HARRIS. Was that the beginning of the pooling system?

Mr. FELTON. Yes sir, up to the taking effect of the interstate commerce law. For a period of ten years prior to the passage of the interstate commerce law the Erie road on west-bound business from New York aggregating in gross revenue $11,577,000 was short $482,103, as computed under the pooling agreement.

The CHAIRMAN. Nearly a half a million dollars.

Mr. FELTON. Yes, sir.

The CHAIRMAN. In one year.

Mr. FELTON. Oh, no; in ten years.

The CHAIRMAN. When you came under the interstate commerce law what was the effect.

Mr. FELTON. I will show you. During the twelve months ending March 31, 1888—that is the first year of the operation of the interstate commerce law—the Erie road fell behind on New York west-bound business the amount I have referred to in the former statement, $248,527.

The CHAIRMAN. That was during the first twelve months of the operation of the interstate commerce law?

Mr. FELTON. Yes, sir.

Senator HARRIS. Both of these statements refer to west-bound business only?

Mr. FELTON. Yes, sir; they refer to business from New York. For ten years the Erie shortage on that business was about $425,000, an average of $42,500 per annum. For the one year after the passage of the law it was $248,000.

The CHAIRMAN. What was it on freight coming this way?

Mr. FELTON. I will give that. On the east-bound dead freight, which is a separate division and which only covers the period from March 15, 1882, to March 31, 1887—that is five years—the Erie road was $440,000 behind under the pooling system; an average of $88,000 per annum.

In the first year of the operation of the interstate commerce law the Erie road was short $157,168 on this business.

The CHAIRMAN. What was the total shortage for a year?

Mr. FELTON. The average was $88,000 a year. I am not giving you Mr. King's figures; I am giving you the figures in detail; he only gave them in the aggregate.

This question requires a good deal of explanation; I want to make it clear. What I saw stated in the papers was not clear. Mr. King said this morning that he would like to have me explain it to the committee.

There is another class of traffic, known as the New York live-stock traffic, that has been kept as a separate division, or was so under the pooling system, and on this class of business during the period from 1879 to 1887 the Erie road was short $158,152; an average of $19,770 per annum.

Senator PLATT. In what was the Erie short?

Mr. FELTON. In revenue; that is, for, say, eight years.

Senator PLATT. I was going to ask what your share was and how it was arrived at.

Mr. FELTON. In the first place, before pools were formed, there was a contest among the various trunk lines over all traffic, and, as you probably remember, they had rate wars frequently.

Senator PLATT. The share of a road was what it got in the fight?

Mr. FELTON. That question went to arbitration. The practical result of that arbitration was that the roads were allowed the tonnage that they were able to carry under the free fight, and in that way the Erie road secured the various percentages that were awarded it under these agreements.

In the live-stock and dressed-beef division, in the first year of the operation of the interstate commerce law, the Erie road was behind $169,433, more than the whole shortage in the previous eight years.

Senator HISCOCK. I would like to ask Mr. Felton, Mr. Chairman, in this connection, if it will not interfere with your line of examination, this question: If you recollect, Mr. King and Mr. Depew seem to have differed in respect to the nature of this shortage; at least, some of us understood Mr. King to say that this shortage was made up to them in the payment of money by the pool without the Erie road having carried the freight which would earn it. I understood Mr. Depew to say that the freight to earn the money was arbitrarily transferred to the Erie, so that they carried their arbitrary part of the freight under the pooling arrangement, and the other roads paid to the Erie what the carrying was worth.

The CHAIRMAN. State the exact facts in reference to the manner in which those things were settled and the basis of settlement.

Mr. FELTON. I would like to make just one statement, and then I will have completed what I was saying.

The CHAIRMAN. Certainly.

Mr. FELTON. During the whole period prior to the passage of the interstate law covered by all these various pools, the Erie road was behind $1,080,277.

Senator GORMAN. In what time?

Mr. FELTON. That covers in one division, ten years; on another, eight years; on another, five years; and on another, three years. It would be pretty hard to make an average, because the tonnage varies so That is an average of seven years, I should say. That shows the effect of the interstate commerce act on the revenues of the Erie road.

Senator PLATT. The basis of your shortage in each case was what was allowed you by the pool, was it not?

Mr. FELTON. Yes, sir.

Senator GORMAN. That is what Mr. King stated.

Mr. FELTON. Yes, sir. Now, Mr. King gave you the aggregate for two years, and made it a million dollars, and from that you draw the inference that it was a half a million dollars a year.

Senator HARRIS. Under the operation of the pool was that shortage made up to the Erie road?

Mr. FELTON. That shortage was made up to the Erie road in two ways. In one pool it was made up by paying the entire revenue to the Erie road.

Senator HARRIS. Paid in money?

Mr. FELTON. Yes, sir; in money, representing its shortage. If the Erie happened to run behind in one month five thousand tons, and the New York Central ran over five thousand tons, the treasurer of the New York Central paid the treasurer of our road the entire gross revenue on that shortage. In other words, the New York Central had to pay for over-carrying the five thousand tons.

Senator HISCOCK. And the Erie road carried no freight, and received that money?

Mr FELTON. It received it for maintaining rates.

The CHAIRMAN. That is a pretty easy way of getting money.

Mr. FELTON. I will explain that. The great difficulty we had under the pooling system was in the fact that we could not enforce our agreement, and we were always living in fear of some rupture. The result was that there was always a temptation on the part of some of the lines to keep up their proportion, to carry their share of the business, so that if any break came they would not be out of pocket. Now, if we had legalized pooling we could maintain rates absolutely, and feel that we were going to get our revenue anyhow.

Senator HISCOCK. Was that arrangement at any time changed, so that if you fell short on freight one month that then the pool transferred to you arbitrarily freight to carry to make it up?

Mr. FELTON. That was tried, but it was so unsatisfactory to the shippers that it was never carried out to any extent.

Senator HARRIS. I think you said that there were two methods of making up the amount. You have stated one; give us the other.

Mr. FELTON. The other method was by the payment of the net earnings.

Senator HARRIS. And that was paid in cash?

Mr. FELTON. Yes, sir. It was on the east bound pool. The commissioner figured the net earnings accruing from the transportation of the traffic, and the road which was short received the net earnings.

Senator HARRIS. But in each instance you were compensated for your shortage in cash and not by carrying freight assigned to you by the pool?

Mr. FELTON. As I said, the pool made an effort to divert freight, but it was never satisfactory.

Senator HARRIS. It was prosecuted only to a limited extent?

Mr. FELTON. Yes, sir.

The CHAIRMAN. So that, as a matter of fact, the Erie road received that million of dollars without earning it?

Mr. FELTON. I should not say without earning it.

The CHAIRMAN. I mean without carrying the traffic that would earn it if it had the business.

Senator PLATT. The Erie received it for maintaining rates, he said, I think.

Mr. FELTON. That is the answer. I want to make this point, that if that pool had been a legal pool, and one that could be enforced, the Erie road would not have received much of that money from the New York Central and the Pennsylvania, who practically paid it.

Senator HARRIS. Suppose you had no pool, what would have been the result? Would you have got that business?

Mr. FELTON. The result would have been that we would have had that $1,000,000 in our treasury and would have done some extra work for it, as our range of rates would have been lower.

The CHAIRMAN. Would that have hurt anybody if you had received the money you expected, and earned it, and the rates were lower; the people would have got the benefit of it, would they not?

Mr. FELTON. I think not.

The CHAIRMAN. Why not?

Mr. FELTON. For the reason that there would have been a fluctuation of rates, which is always undesirable to the shipper. Our patrons say that what they want is uniform rates. They do not want low rates. They do not want to ship grain to the sea-board this month and have a competitor come in and ship his grain next month to the sea-board for half the rate they paid the previous month.

Senator HISCOCK. Your understanding is that the shippers are always opposed to a war in rates?

Mr. FELTON. Yes, sir; except a few who get the benefit of it. They get the benefit of it one time and the next time they do not; the next time some one else gets it.

Senator PLATT. Your effort now is to get back the business which you lost and which you had under the old pool.

Mr. FELTON. It is practically to even up our tonnage.

DIFFERENTIAL RATES.

The CHAIRMAN. When you get the million dollars back, then will they stop the differential you are receiving?

Mr. FELTON. Yes, sir; we will waive the differential; we will give it up.

The CHAIRMAN. Do you regard yourselves now as capable of competing with the other lines without disadvantage to yourselves?

Mr. FELTON. No, sir; I think not; I think there is a feature of the case that probably you will appreciate. Since the passage of the interstate commerce law, instead of going to a man and offering him a rebate to secure his business, the strong lines like the Pennsylvania and the New York Central go to him and say, "We will put your freight through from New York to Chicago in sixty hours, or in three days." That fast time has the effect of a rebate in securing his business, especially if it is high-class business that has to have fast movement. We labor under a serious disadvantage there. The Pennsylvania and the New York Central have better facilities; their lines are double tracked; they have lower grades, and their fund for improvements is very much larger, and they are constantly spending money that the Erie can not spend.

The CHAIRMAN. So that you think you ought to have your differential still?

Mr. FELTON. It looks to me from present developments that when we even up this business which we lost we will find that the Pennsyl-

vania and the New York Central facilities are so far ahead of ours that we can not keep up, and we will have to have the differential on that account. We are what is called a weak line. The Pennsylvania and the New York Central are the only lines that charge the full tariff rate. The Lackawanna, West Shore, Ontario and Western, Lehigh Valley, and Grand Trunk all have differentials.

The CHAIRMAN. Do they receive a differential now?

Mr. FELTON. Yes, sir, on west-bound business; and so does the Baltimore and Ohio, too.

The CHAIRMAN. But these roads do not receive it on east-bound business.

Mr. FELTON. They do not, except on dressed beef.

The CHAIRMAN. Why should there be a west-bound differential and not an east-bound differential?

Mr. FELTON. I suppose it is for the reason I gave you heretofore, that the better facilities of the Pennsylvania and New York Central lines on west-bound business have made that a very important factor. Now, since the act was passed this condition has grown up, and we find ourselves embarrassed by the better facilities of our competitors.

THE CANADIAN LINES.

The CHAIRMAN. One of the purposes of this investigation, as you doubtless understand, Mr. Felton, is to ascertain whether under the system of law that we have, under the interstate commerce act, the Canadian roads are getting any advantage over our roads. You deal with the Grand Trunk, I believe, and you are a competitor also, as I understand from Mr. King, of the Grand Trunk.

Mr. FELTON. Yes, sir; we are.

The CHAIRMAN. Do they get any advantage over your road by the enforcement of the interstate commerce act?

Mr. FELTON. They do not get any advantage with our assistance. What I mean by that is that we do not give them any advantage from Buffalo to New York as against our own line from Chicago to New York. Any advantage they would get would be derived from their own line between Buffalo and Chicago.

The CHAIRMAN. It was stated to-day that the Grand Trunk observed the interstate commerce act just as rigidly as though they were in the United States on all business that comes into the United States or begins in the United States and goes into Canada or through Canada and into the United States again. Do you know whether that is true or not?

Mr. FELTON. I do not know anything to the contrary.

The CHAIRMAN. Do you think there ought to be any legislation to protect American railroad interests as against Canadian railroad interests more than we have already?

Mr. FELTON. I think that the Canadian lines should be placed on exactly the same footing as are the American lines.

The CHAIRMAN. In what respect?

Mr. FELTON. There are several——

Senator HARRIS. I do not think you understood the chairman's question. It was whether there should be any legislation by Congress to protect American railroad interests as against Canadian railroad interests beyond what we have already.

Mr. FELTON. I take it, it is within the power of Congress to compel the Canadian railroads to conform to our laws if they want to do busi-

ness in the United States, but I do not suppose it is within the power of Congress to regulate traffic in Canada.

The CHAIRMAN. The Canadian roads say they are conforming to the interstate commerce act.

Mr. FELTON. Then they certainly would not object to having the law applied to them as it is to us.

The CHAIRMAN. They do not have any objection.

Mr. FELTON. I do not suppose they would.

The CHAIRMAN. You heard what Mr. Hickson stated here to-day, did you not?

Mr. FELTON. Yes. I think he states the case correctly.

The CHAIRMAN. Do you know of any reason why there should be any change of legislation in respect to the railroads of the country on account of the business which it has been shown is being done on these Canadian roads in the United States?

Mr. FELTON. I do not know how to answer that. I can make this statement, however, that I believe the Grand Trunk and the Canadian Pacific, the Canadian Pacific particularly, have profited by the passage of the interstate commerce law.

The CHAIRMAN. In what respect?

Mr. FELTON. On their traffic in the United States.

The CHAIRMAN. By violating the law?

Mr. FELTON. I do not want to say that; but take the case of the Canadian Pacific. The Canadian Pacific is in a position to make any concession they want on the traffic they draw from the United States, and they can manipulate it without our knowing anything about it and without the Interstate Commerce Commission knowing anything about it.

Senator GORMAN. What do you mean by "manipulating?"

Mr. FELTON. I mean this: They have a line now to St. Paul and Minneapolis. The large flour tonnage that we formerly received from St. Paul and Minneapolis is being very largely diverted by the Canadian Pacific road. This tonnage goes over this new road to the Sault, and then over the Canadian Pacific for export, and we practically do not get any of it.

It is very easy, it seems to me, for those gentlemen on their own main line in Canada, to make such arrangements as will cause that business to take that route. I do not know how, but if I were there I think I should find a way to get that business. [Laughter.]

The CHAIRMAN. Would they not naturally get it?

Mr. FELTON. No, sir; I think not.

The CHAIRMAN. Why not?

Mr. FELTON. It is a long and circuitous route and not the natural road for the business when it has to come through to New England and New York.

The CHAIRMAN. It starts in Minneapolis and lands in Portland or Boston?

Mr. FELTON. Yes, sir; or Montreal or Liverpool, and some of it comes to New York.

The CHAIRMAN. According to Mr. Hickson's statement, he regards that sort of shipment entirely under the interstate commerce act.

Mr. FELTON. I am now speaking of the Canadian Pacific.

The CHAIRMAN. But I am giving you the view Mr. Hickson takes of his road obeying the law under this state of affairs.

Mr. FELTON. All right, sir.

THE GRAND TRUNK'S TRAFFIC FROM CHICAGO.

The CHAIRMAN. There has been a vast increase in the traffic carried by the Grand Trunk this year as compared with the previous year. What have you to say about that?

Mr. FELTON. Mr. King referred to the dead freight movement on the Chicago and Grand Trunk out of Chicago. It has been quite heavy so far in 1889.

The CHAIRMAN. Has the freight been heavier than heretofore?

Mr. FELTON. Yes, sir; running up one week to 39 per cent.

The CHAIRMAN. What is the explanation of that?

Mr. FELTON. I do not know. I am not as familiar with the situation at Chicago as I am at this end, but I have no doubt you will get some explanation from Mr. Newell and Mr. Ledyard, who are more directly interested in that question, as they, in connection with the Pennsylvania road, control the strong roads out of Chicago. They are directly in competition with the Grand Trunk system, and can probably give yo some explanation of it. That business does not go altogether through Canada, or at least it does not stay in Canada. It is distributed at the Niagara frontier, and some of it comes to Boston and Portland and New York.

Senator GORMAN. Can that enormous increase be accounted for by the increased facilities of the Grand Trunk at Chicago?

Mr. FELTON. I have never inspected their facilities at Chicago. I do not know what they are as compared with the other lines there.

The CHAIRMAN. You mean at Chicago?

Mr. FELTON. Yes, sir.

The CHAIRMAN. They have as good facilities as any road running into that city.

Senator GORMAN. I understand you to say, Mr. Felton, that unless an inducement is offered the Grand Trunk would not get this vast increase as compared with the other lines.

Mr. FELTON. There must be a reason for it.

The CHAIRMAN. But you do not know what it is, do you?

Mr. FELTON. I do not; I am not familiar with that end of the line.

Senator GORMAN. As a railroad expert and being very well informed of the facilities offered by the different trunk lines, is it reasonable to account for this extraordinary increase by simply saying the Grand Trunk have increased their terminal facilities at Chicago?

Mr. FELTON. I should not think that would be a very good explanation. I heard a gentleman before the Interstate Commerce Commission explain that the reason he carried nearly all the grain to New York was because he had a great many empty cars. I do not think the Commission thought that a sufficient reason, especially when the other lines had empty cars everywhere.

Senator BLAIR. Do you know how long the Grand Trunk have had these superior terminal facilities at Chicago? Would these facilities account for this sudden increase, in your opinion?

Mr. FELTON. I asked Mr. Hickson the same question, and he gave me the same answer he gave you. He told me, and I have been given to understand the same thing, that they have recently secured hopper scales for transferring grain. They take the grain out of the Western car, weigh it, put it in the Eastern car, get the weight, and issue a bill of lading, and the whole thing is done very promptly. But whether that would make any very great difference in the tonnage that goes over

that road I do not know. If it did, I should think the other roads would get the hopper scales very soon.

Senator GORMAN. Is it not perfectly safe to assume if the Pennsylvania road, or the Erie road, or the Baltimore and Ohio, or the Grand Trunk suddenly increased their business one-half on dead freight or on any class of freight that there had been an inducement offered to the shipper in the way of a drawback or otherwise.

Mr. FELTON. I have never known it to be otherwise. It has generally turned out in the end, after an investigation, that there has been some manipulation. In the old days of the pool we so found it.

Senator GORMAN. Now, applying it to the through grain from Chicago to Liverpool, is it within reasonable bounds to suppose that the difference could be made by the steam-ship from Portland to Liverpool so much less than from New York to Liverpool?

Mr. FELTON. Well, I do not know. That question is a very difficult one to answer. The Pennsylvania Railroad have a steam-ship line of their own, practically, or one with which they have such close relations that it amounts to a control; and they name rates out of Chicago to Liverpool, and the Grand Trunk name just about the same. Then when the Grand Trunk name the rate first, the Pennsylvania follow. They are the only two roads that have relations with steam-ship lines other than the relations we all had.

What the understanding between those two lines and their steam-ship connections was I do not know, but the fact was that they both got about the same rates, and we could not get anything like as low rates. The New York Central with all their facilities here could not meet them, the Erie could not meet them, the Baltimore and Ohio could not meet them.

Senator GORMAN. What is your explanation of it? I would like to have your opinion of it.

Mr. FELTON. My theory has always been, and it is only a theory, that there was some understanding or contract or agreement between the railroads and those steam-ship lines by which the railroads made up to them their loss, or guaranteed certain results from their operations, which was practically the same, and under that guaranty the steam-ship was willing to make whatever concession was necessary to get the traffic. I think that is generally accepted as the correct explanation.

The CHAIRMAN. I was handed a paper a few minutes ago, from which I make the following extract:

> The east-bound shipments of flour, grain, and provisions last week by the lines in the Central Traffic Association—

What is that Central Traffic Association?

Mr. FELTON. It is an association that controls most of the lines leading east from Chicago.

The CHAIRMAN:

> aggregated 14,163 tons, against 16,149 for the preceding week, a decrease of 1,986 tons, and against 32,313 for the corresponding week last year, a decrease of 18,150 tons. The Vanderbilt lines carried 49 per cent. of the total business, the Pennsylvania lines, 22.5; the Chicago and Grand Trunk, 17.9 per cent.; the Baltimore and Ohio, 10.6 per cent.

So it seems that the proportion varies from time to time.

Mr. FELTON. It would be very interesting for you to get those weekly statements from the 1st of January and to note the course of the traffic during that time.

Senator GORMAN. Get them from Mr. Fink?

Mr. FELTON. If you are going west you can get them in Chicago. The Board of Trade statements are really the correct ones, because they embrace all the lines. The Central Traffic Association statements do not embrace all the lines.

Senator BLAIR. That statement is not confined to dead freight, is it?

Mr. FELTON. Yes, sir; that is supposed to apply to the dead freight.

OBSERVANCE OF THE INTERSTATE LAW.

Senator BLAIR. I would like to ask your opinion upon one point, and that is, what your opinion has been, from your experience heretofore, as to the observance of the interstate-commerce law? Have you understood and believed that the interstate-commerce law was observed by the Canadian roads since it went into operation?

Mr. FELTON. It has been very difficult to get any information about it, and we could not tell what they were doing, if they were doing anything.

Senator BLAIR. Have you had an impression that they were observing it, as were the American lines?

Mr. FELTON. I have had an impression that they have been observing it since the 2d of March.

Senator BLAIR. How was it prior to that?

Mr. FELTON. I do not think they observed it any more than the American lines.

Senator BLAIR. Well, did they observe it to the extent the American roads did?

Mr. FELTON. I could not answer that.

Senator BLAIR. Did the American lines really pay any attention to it before the 2d of March?

Mr. FELTON. I think they did immediately following the passage of the law until the fall, and then I do not think they paid any attention to it until the fall of 1888.

Senator BLAIR. Why did they cease to observe it until the law was made more stringent, until the penalties were attached to violations?

Mr. FELTON. When it was new everybody thought that the law was going to be enforced, and nobody wanted to be the first to violate the law. We all tried to mantain rates and see what the result would be. Then some lines commenced to develop new plans for evading the law, which were perhaps not direct violations, and then business became disturbed, and one line followed another until everything became loose. Before the law was enacted a man was paid a rebate of 5 cents a hundred pounds to get his business. One of the first things that developed after the passage of the act was that that same man's clerk was under salary from a railroad and getting ten or twelve or fifteen thousand dollars a year, and it was not hard to imagine where that money went.

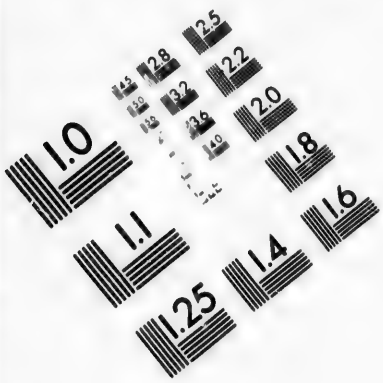
The CHAIRMAN. A clerk in the railroad employ, do you mean?

Mr. FELTON. No, sir; a clerk in the employ of a shipper. After that allowances were made for the use of terminals, for carting and for draying, and all that sort of thing.

The CHAIRMAN. By the different railroads?

Mr. FELTON. Yes, sir; and finally the Commission commenced to appreciate what was going on, and suggested some amendments to the law, which had the effect of scaring these people badly, and I think they stopped it.

Senator BLAIR. If nobody is prosecuted under the law, there is no result from the law.


1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0
4.5
5.0
5.6
6.3
7.1
8.0
9.0
10
11
12
13
14
16
18
20
22
25
28
32
36
40
45
50
56
63
71
80
90
100
110
125
140
160
180
200
220
250
280
320
360
400
450
500
560
630
710
800
900
1000
1100
1250
1400
1600
1800
2000
2200
2500
2800
3200
3600
4000
4500
5000
5600
6300
7100
8000
9000
10000
11000
12500
14000
16000
18000
20000
22000
25000
28000
32000
36000
40000
45000
50000
56000
63000
71000
80000
90000
100000
110000
125000
140000
160000
180000
200000
220000
250000
280000
320000
360000
400000
450000
500000
560000
630000
710000
800000
900000
1000000
1100000
1250000
1400000
1600000
1800000
2000000
2200000
2500000
2800000
3200000
3600000
4000000
4500000
5000000
5600000
6300000
7100000
8000000
9000000
10000000
11000000
12500000
14000000
16000000
18000000
20000000
22000000
25000000
28000000
32000000
36000000
40000000
45000000
50000000
56000000
63000000
71000000
80000000
90000000
100000000
110000000
125000000
140000000
160000000
180000000
200000000
220000000
250000000
280000000
320000000
360000000
400000000
450000000
500000000
560000000
630000000
710000000
800000000
900000000
1000000000
1100000000
1250000000
1400000000
1600000000
1800000000
2000000000
2200000000
2500000000
2800000000
3200000000
3600000000
4000000000
4500000000
5000000000
5600000000
6300000000
7100000000
8000000000
9000000000
10000000000
11000000000
12500000000
14000000000
16000000000
18000000000
20000000000
22000000000
25000000000
28000000000
32000000000
36000000000
40000000000
45000000000
50000000000
56000000000
63000000000
71000000000
80000000000
90000000000
100000000000
110000000000
125000000000
140000000000
160000000000
180000000000
200000000000
220000000000
250000000000
280000000000
320000000000
360000000000
400000000000
450000000000
500000000000
560000000000
630000000000
710000000000
800000000000
900000000000
1000000000000
1100000000000
1250000000000
1400000000000
1600000000000
1800000000000
2000000000000
2200000000000
2500000000000
2800000000000
3200000000000
3600000000000
4000000000000
4500000000000
5000000000000
5600000000000
6300000000000
7100000000000
8000000000000
9000000000000
10000000000000
11000000000000
12500000000000
14000000000000
16000000000000
18000000000000
20000000000000
22000000000000
25000000000000
28000000000000
32000000000000
36000000000000
40000000000000
45000000000000
50000000000000
56000000000000
63000000000000
71000000000000
80000000000000
90000000000000
100000000000000
110000000000000
125000000000000
140000000000000
160000000000000
180000000000000
200000000000000
220000000000000
250000000000000
280000000000000
320000000000000
360000000000000
400000000000000
450000000000000
500000000000000
560000000000000
630000000000000
710000000000000
800000000000000
900000000000000
1000000000000000
1100000000000000
1250000000000000
1400000000000000
1600000000000000
1800000000000000
2000000000000000
2200000000000000
2500000000000000
2800000000000000
3200000000000000
3600000000000000
4000000000000000
4500000000000000
5000000000000000
5600000000000000
6300000000000000
7100000000000000
8000000000000000
9000000000000000
10000000000000000
11000000000000000
12500000000000000
14000000000000000
16000000000000000
18000000000000000
20000000000000000
22000000000000000
25000000000000000
28000000000000000
32000000000000000
36000000000000000
40000000000000000
45000000000000000
50000000000000000
56000000000000000
63000000000000000
71000000000000000
80000000000000000
90000000000000000
100000000000000000
110000000000000000
125000000000000000
140000000000000000
160000000000000000
180000000000000000
200000000000000000
220000000000000000
250000000000000000
280000000000000000
320000000000000000
360000000000000000
400000000000000000
450000000000000000
500000000000000000
560000000000000000
630000000000000000
710000000000000000
800000000000000000
900000000000000000
1000000000000000000
1100000000000000000
1250000000000000000
1400000000000000000
1600000000000000000
1800000000000000000
2000000000000000000
2200000000000000000
2500000000000000000
2800000000000000000
3200000000000000000
3600000000000000000
4000000000000000000
4500000000000000000
5000000000000000000
5600000000000000000
6300000000000000000
7100000000000000000
8000000000000000000
9000000000000000000
10000000000000000000
11000000000000000000
12500000000000000000
14000000000000000000
16000000000000000000
18000000000000000000
20000000000000000000
22000000000000000000
25000000000000000000
28000000000000000000
32000000000000000000
36000000000000000000
40000000000000000000
45000000000000000000
50000000000000000000
56000000000000000000
63000000000000000000
71000000000000000000
80000000000000000000
90000000000000000000
100000000000000000000
110000000000000000000
125000000000000000000
140000000000000000000
160000000000000000000
180000000000000000000
200000000000000000000
220000000000000000000
250000000000000000000
280000000000000000000
320000000000000000000
360000000000000000000
400000000000000000000
450000000000000000000
500000000000000000000
560000000000000000000
630000000000000000000
710000000000000000000
800000000000000000000
900000000000000000000
1000000000000000000000
1100000000000000000000
1250000000000000000000
1400000000000000000000
1600000000000000000000
1800000000000000000000
2000000000000000000000
2200000000000000000000
2500000000000000000000
2800000000000000000000
3200000000000000000000
3600000000000000000000
4000000000000000000000
4500000000000000000000
5000000000000000000000
5600000000000000000000
6300000000000000000000
7100000000000000000000
8000000000000000000000
9000000000000000000000
10000000000000000000000
11000000000000000000000
12500000000000000000000
14000000000000000000000
16000000000000000000000
18000000000000000000000
20000000000000000000000
22000000000000000000000
25000000000000000000000
28000000000000000000000
32000000000000000000000
36000000000000000000000
40000000000000000000000
45000000000000000000000
50000000000000000000000
56000000000000000000000
63000000000000000000000
71000000000000000000000
80000000000000000000000
90000000000000000000000
100000000000000000000000
110000000000000000000000
125000000000000000000000
140000000000000000000000
160000000000000000000000
180000000000000000000000
200000000000000000000000
220000000000000000000000
250000000000000000000000
280000000000000000000000
320000000000000000000000
360000000000000000000000
400000000000000000000000
450000000000000000000000
500000000000000000000000
560000000000000000000000
630000000000000000000000
710000000000000000000000
800000000000000000000000
900000000000000000000000
1000000000000000000000000
1100000000000000000000000
1250000000000000000000000
1400000000000000000000000
1600000000000000000000000
1800000000000000000000000
2000000000000000000000000
2200000000000000000000000
2500000000000000000000000
2800000000000000000000000
3200000000000000000000000
3600000000000000000000000
4000000000000000000000000
4500000000000000000000000
5000000000000000000000000
5600000000000000000000000
6300000000000000000000000
7100000000000000000000000
8000000000000000000000000
9000000000000000000000000
10000000000000000000000000
11000000000000000000000000
12500000000000000000000000
14000000000000000000000000
16000000000000000000000000
18000000000000000000000000
20000000000000000000000000
22000000000000000000000000
25000000000000000000000000
28000000000000000000000000
32000000000000000000000000
36000000000000000000000000
40000000000000000000000000
45000000000000000000000000
50000000000000000000000000
56000000000000000000000000
63000000000000000000000000
71000000000000000000000000
80000000000000000000000000
90000000000000000000000000
100000000000000000000000000
110000000000000000000000000
125000000000000000000000000
140000000000000000000000000
160000000000000000000000000
180000000000000000000000000
200000000000000000000000000
220000000000000000000000000
250000000000000000000000000
280000000000000000000000000
320000000000000000000000000
360000000000000000000000000
400000000000000000000000000
450000000000000000000000000
500000000000000000000000000
560000000000000000000000000
630000000000000000000000000
710000000000000000000000000
800000000000000000000000000
900000000000000000000000000
1000000000000000000000000000
1100000000000000000000000000
1250000000000000000000000000
1400000000000000000000000000
1600000000000000000000000000
1800000000000000000000000000
2000000000000000000000000000
2200000000000000000000000000
2500000000000000000000000000
2800000000000000000000000000
3200000000000000000000000000
3600000000000000000000000000
4000000000000000000000000000
4500000000000000000000000000
5000000000000000000000000000
5600000000000000000000000000
6300000000000000000000000000
7100000000000000000000000000
8000000000000000000000000000
9000000000000000000000000000
10000000000000000000000000000
11000000000000000000000000000
12500000000000000000000000000
14000000000000000000000000000
16000000000000000000000000000
18000000000000000000000000000
20000000000000000000000000000
22000000000000000000000000000
25000000000000000000000000000
28000000000000000000000000000
32000000000000000000000000000
36000000000000000000000000000
40000000000000000000000000000
45000000000000000000000000000
50000000000000000000000000000
56000000000000000000000000000
63000000000000000000000000000
71000000000000000000000000000
80000000000000000000000000000
90000000000000000000000000000
100000000000000000000000000000
110000000000000000000000000000
125000000000000000000000000000
140000000000000000000000000000
160000000000000000000000000000
180000000000000000000000000000
200000000000000000000000000000
220000000000000000000000000000
250000000000000000000000000000
280000000000000000000000000000
320000000000000000000000000000
360000000000000000000000000000
400000000000000000000000000000
450000000000000000000000000000
500000000000000000000000000000
560000000000000000000000000000
630000000000000000000000000000
710000000000000000000000000000
800000000000000000000000000000
900000000000000000000000000000
1000000000000000000000000000000
1100000000000000000000000000000
1250000000000000000000000000000
1400000000000000000000000000000
1600000000000000000000000000000
1800000000000000000000000000000
2000000000000000000000000000000
2200000000000000000000000000000
2500000000000000000000000000000
2800000000000000000000000000000
3200000000000000000000000000000
3600000000000000000000000000000
4000000000000000000000000000000
4500000000000000000000000000000
5000000000000000000000000000000
5600000000000000000000000000000
6300000000000000000000000000000
7100000000000000000000000000000
8000000000000000000000000000000
9000000000000000000000000000000
10000000000000000000000000000000
11000000000000000000000000000000
12500000000000000000000000000000
14000000000000000000000000000000
16000000000000000000000000000000
18000000000000000000000000000000
20000000000000000000000000000000
22000000000000000000000000000000
25000000000000000000000000000000
28000000000000000000000000000000
32000000000000000000000000000000
36000000000000000000000000000000
40000000000000000000000000000000
45000000000000000000000000000000
50000000000000000000000000000000
56000000000000000000000000000000
63000000000000000000000000000000
71000000000000000000000000000000
80000000000000000000000000000000
90000000000000000000000000000000
100000000000000000000000000000000
110000000000000000000000000000000
125000000000000000000000000000000
140000000000000000000000000000000
160000000000000000000000000000000
180000000000000000000000000000000
200000000000000000000000000000000
220000000000000000000000000000000
250000000000000000000000000000000
280000000000000000000000000000000
320000000000000000000000000000000
360000000000000000000000000000000
400000000000000000000000000000000
450000000000000000000000000000000
500000000000000000000000000000000
560000000000000000000000000000000
630000000000000000000000000000000
710000000000000000000000000000000
800000000000000000000000000000000
900000000000000000000000000000000
1000000000000000000000000000000000
1100000000000000000000000000000000
1250000000000000000000000000000000
1400000000000000000000000000000000
1600000000000000000000000000000000
1800000000000000000000000000000000
2000000000000000000000000000000000
2200000000000000000000000000000000
2500000000000000000000000000000000
2800000000000000000000000000000000
3200000000000000000000000000000000
3600000000000000000000000000000000
4000000000000000000000000000000000
4500000000000000000000000000000000
5000000000000000000000000000000000
5600000000000000000000000000000000
6300000000000000000000000000000000
7100000000000000000000000000000000
8000000000000000000000000000000000
9000000000000000000000000000000000
10000000000000000000000000000000000
11000000000000000000000000000000000
12500000000000000000000000000000000
14000000000000000000000000000000000
16000000000000000000000000000000000
18000000000000000000000000000000000
20000000000000000000000000000000000
22000000000000000000000000000000000
25000000000000000000000000000000000
28000000000000000000000000000000000
32000000000000000000000000000000000
36000000000000000000000000000000000
40000000000000000000000000000000000
45000000000000000000000000000000000
50000000000000000000000000000000000
56000000000000000000000000000000000
63000000000000000000000000000000000
71000000000000000000000000000000000
80000000000000000000000000000000000
90000000000000000000000000000000000
100000000000000000000000000000000000
110000000000000000000000000000000000
125000000000000000000000000000000000
140000000000000000000000000000000000
160000000000000000000000000000000000
180000000000000000000000000000000000
200000000000000000000000000000000000
220000000000000000000000000000000000
250000000000000000000000000000000000
280000000000000000000000000000000000
320000000000000000000000000000000000
360000000000000000000000000000000000
400000000000000000000000000000000000
450000000000000000000000000000000000
500000000000000000000000000000000000
560000000000000000000000000000000000
630000000000000000000000000000000000
710000000000000000000000000000000000
800000000000000000000000000000000000
900000000000000000000000000000000000
1000000000000000000000000000000000000
1100000000000000000000000000000000000
1250000000000000000000000000000000000
1400000000000000000000000000000000000
1600000000000000000000000000000000000
1800000000000000000000000000000000000
2000000000000000000000000000000000000
2200000000000000000000000000000000000
2500000000000000000000000000000000000
2800000000000000000000000000000000000
3200000000000000000000000000000000000
3600000000000000000000000000000000000
4000000000000000000000000000000000000
4500000000000000000000000000000000000
5000000000000000000000000000000000000
5600000000000000000000000000000000000
6300000000000000000000000000000000000
7100000000000000000000000000000000000
8000000000000000000000000000000000000
9000000000000000000000000000000000000
10000000000000000000000000000000000000
11000000000000000000000000000000000000
12500000000000000000000000000000000000
14000000000000000000000000000000000000
16000000000000000000000000000000000000
18000000000000000000000000000000000000
20000000000000000000000000000000000000
22000000000000000000000000000000000000
25000000000000000000000000000000000000
28000000000000000000000000000000000000
32000000000000000000000000000000000000
36000000000000000000000000000000000000
40000000000000000000000000000000000000
45000000000000000000000000000000000000
50000000000000000000000000000000000000
56000000000000000000000000000000000000
63000000000000000000000000000000000000
71000000000000000000000000000000000000
80000000000000000000000000000000000000
90000000000000000000000000000000000000
100000000000000000000000000000000000000
110000000000000000000000000000000000000
125000000000000000000000000000000000000
140000000000000000000000000000000000000
160000000000000000000000000000000000000
180000000000000000000000000000000000000
200000000000000000000000000000000000000
220000000000000000000000000000000000000
250000000000000000000000000000000000000
280000000000000000000000000000000000000
320000000000000000000000000000000000000
360000000000000000000000000000000000000
400000000000000000000000000000000000000
450000000000000000000000000000000000000
500000000000000000000000000000000000000
560000000000000000000000000000000000000
630000000000000000000000000000000000000
710000000000000000000000000000000000000
800000000000000000000000000000000000000
900000000000000000000000000000000000000
1000000000000000000000000000000000000000
1100000000000000000000000000000000000000
1250000000000000000000000000000000000000
1400000000000000000000000000000000000000
1600000000000000000000000000000000000000
1800000000000000000000000000000000000000
2000000000000000000000000000000000000000
2200000000000000000000000000000000000000
2500000000000000000000000000000000000000
2800000000000000000000000000000000000000
3200000000000000000000000000000000000000
3600000000000000000000000000000000000000
4000000000000000000000000000000000000000
4500000000000000000000000000000000000000
5000000000000000000000000000000000000000
5600000000000000000000000000000000000000
6300000000000000000000000000000000000000
7100000000000000000000000000000000000000
8000000000000000000000000000000000000000
9000000000000000000000000000000000000000
10000000000000000000000000000000000000000
11000000000000000000000000000000000000000
12500000000000000000000000000000000000000
14000000000000000000000000000000000000000
16000000000000000000000000000000000000000
18000000000000000000000000000000000000000
20000000000000000000000000000000000000000
22000000000000000000000000000000000000000
25000000000000000000000000000000000000000
28000000000000000000000000000000000000000
32000000000000000000000000000000000000000
36000000000000000000000000000000000000000
40000000000000000000000000000000000000000
45000000000000000000000000000000000000000
50000000000000000000000000000000000000000
56000000000000000000000000000000000000000
63000000000000000000000000000000000000000
71000000000000000000000000000000000000000
80000000000000000000000000000000000000000
90000000000000000000000000000000000000000
100000000000000000000000000000000000000000
110000000000000000000000000000000000000000
125000000000000000000000000000000000000000
140000000000000000000000000000000000000000
160000000000000000000000000000000000000000
180000000000000000000000000000000000000000
200000000000000000000000000000000000000000
220000000000000000000000000000000000000000
250000000000000000000000000000000000000000
280000000000000000000000000000000000000000
320000000000000000000000000000000000000000
360000000000000000000000000000000000000000
400000000000000000000000000000000000000000
450000000000000000000000000000000000000000
500000000000000000000000000000000000000000
560000000000000000000000000000000000000000
630000000000000000000000000000000000000000
710000000000000000000000000000000000000000
800000000000000000000000000000000000000000
900000000000000000000000000000000000000000
1000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000
1250000000000000000000000000000000000000000
1400000000000000000000000000000000000000000
1600000000000000000000000000000000000000000
1800000000000000000000000000000000000000000
2000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000
2500000000000000000000000000000000000000000
2800000000000000000000000000000000000000000
3200000000000000000000000000000000000000000
3600000000000000000000000000000000000000000
4000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000
5000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000
6300000000000000000000000000000000000000000
7100000000000000000000000000000000000000000
8000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000
14000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000000000000000
50000000000000000000000000000000000000000000000000000000000000
56000000000000000000000000000000000000000000000000000000000000
63000000000000000000000000000000000000000000000000000000000000
71000000000000000000000000000000000000000000000000000000000000
80000000000000000000000000000000000000000000000000000000000000
90000000000000000000000000000000000000000000000000000000000000
100000000000000000000000000000000000000000000000000000000000000
110000000000000000000000000000000000000000000000000000000000000
125000000000000000000000000000000000000000000000000000000000000
140000000000000000000000000000000000000000000000000000000000000
160000000000000000000000000000000000000000000000000000000000000
180000000000000000000000000000000000000000000000000000000000000
200000000000000000000000000000000000000000000000000000000000000
220000000000000000000000000000000000000000000000000000000000000
250000000000000000000000000000000000000000000000000000000000000
280000000000000000000000000000000000000000000000000000000000000
320000000000000000000000000000000000000000000000000000000000000
360000000000000000000000000000000000000000000000000000000000000
400000000000000000000000000000000000000000000000000000000000000
450000000000000000000000000000000000000000000000000000000000000
500000000000000000000000000000000000000000000000000000000000000
560000000000000000000000000000000000000000000000000000000000000
630000000000000000000000000000000000000000000000000000000000000
710000000000000000000000000000000000000000000000000000000000000
800000000000000000000000000000000000000000000000000000000000000
900000000000000000000000000000000000000000000000000000000000000
1000000000000000000000000000000000000000000000000000000000000000
1100000000000000000000000000000000000000000000000000000000000000
1250000000000000000000000000000000000000000000000000000000000000
1400000000000000000000000000000000000000000000000000000000000000
1600000000000000000000000000000000000000000000000000000000000000
1800000000000000000000000000000000000000000000000000000000000000
2000000000000000000000000000000000000000000000000000000000000000
2200000000000000000000000000000000000000000000000000000000000000
2500000000000000000000000000000000000000000000000000000000000000
2800000000000000000000000000000000000000000000000000000000000000
3200000000000000000000000000000000000000000000000000000000000000
3600000000000000000000000000000000000000000000000000000000000000
4000000000000000000000000000000000000000000000000000000000000000
4500000000000000000000000000000000000000000000000000000000000000
5000000000000000000000000000000000000000000000000000000000000000
5600000000000000000000000000000000000000000000000000000000000000
6300000000000000000000000000000000000000000000000000000000000000
7100000000000000000000000000000000000000000000000000000000000000
8000000000000000000000000000000000000000000000000000000000000000
9000000000000000000000000000000000000000000000000000000000000000
10000000000000000000000000000000000000000000000000000000000000000
11000000000000000000000000000000000000000000000000000000000000000
12500000000000000000000000000000000000000000000000000000000000000
14000000000000000000000000000000000000000000000000000000000000000
16000000000000000000000000000000000000000000000000000000000000000
18000000000000000000000000000000000000000000000000000000000000000
20000000000000000000000000000000000000000000000000000000000000000
22000000000000000000000000000000000000000000000000000000000000000
25000000000000000000000000000000000000000000000000000000000000000
28000000000000000000000000000000000000000000000000000000000000000
32000000000000000000000000000000000000000000000000000000000000000
36000000000000000000000000000000000000000000000000000000000000000
40000000000000000000000000000000000000000000000000000000000000000
45000000000000000000000000000000000000000000000000000000000000000
50

Mr. FELTON. No result.

Senator BLAIR. Somebody has to be hung.

Mr. FELTON. I think the Commission should put somebody in jail, or impose a fine.

Senator BLAIR. Do you know any case of violation of law where they might apply it?

Mr. FELTON. No, sir; I do not from my personal knowledge.

The CHAIRMAN. How is it that men engaged in railroading are so prone to violate the law when they think they are not to be punished? Other people obey the law just because they think they ought to.

Senator HISCOCK. Are you sure about that?

The CHAIRMAN. There seems to be a different rule with reference to railroad men, for they only obey the law when they fear punishment for its violation.

Mr. FELTON. Well, there are a great many lines in this country that do not do enough business to keep them going, and the railroad people have to watch the corners closely to keep up earnings and to meet fixed charges and pay dividends, and when they find traffic leaving them they make an investigation and discover that the traffic is leaving them because there is a manipulation of the rate, and the result is that the road losing the traffic meets the rates of the road getting it in order to bring the traffic back, and in that way they go from bad to worse.

LEGALIZED POOLING.

The CHAIRMAN. If the railroad employés all obeyed the law, do you think that you would fare better?

Mr. FELTON. Yes, sir; I think we would all fare better and we would have more money, and I think if we could have some fair way of protecting what are known as the weaker lines, under that law, its operation would be perfect.

The CHAIRMAN. Like the other gentlemen, you come back to the proposition of pooling as a remedy for the situation.

Mr. FELTON. Legalize pooling under the restrictions that the Interstate Commerce Commission would like to throw about it. I take it from the Erie Railroad statistics that money belonging to us has gone to the Pennsylvania and to the New York Central, the strong lines.

The CHAIRMAN. If your road did not exist at all, would the public be as well cared for?

Mr. FELTON. No, sir; indeed they would not.

The CHAIRMAN. Would it have business enough along its line that legitimately belongs to it to legitimately sustain it?

Mr. FELTON. No, sir.

The CHAIRMAN. How much does it lack of it?

Mr. FELTON. It is very hard to separate the strictly local business from through business; but the Erie road as originally built, if confined within its own limits, probably would have had enough business originating on its own line, or at either end, to take care of the properties existing then; but it has grown and stretched out for through business and leased and built lines and must have through business to support it.

The CHAIRMAN. That stretching out was a mistake, was it not?

Mr. FELTON. No; I do not think so. I think that stretching out was the natural outcome of all the lines stretching out in the West. The Pennsylvania acquired lines and extended their route to Chicago, and the Erie had to extend its line West or drop back into the position

of a local road. Most of the expenditures were made by absorbing lines in existence. The Baltimore and Ohio built a line West as an extension to part of its original line. The Vanderbilts acquired lines already in existence, and the Erie leased and built lines. The Pennsylvania did not build a mile of new line to reach Chicago.

Senator GORMAN. In legalizing the pool would you go as far as to regulate the rates to be fixed by the railroads by first getting the approval of the Commission?

Mr. FELTON. I would not hesitate to do that.

Senator GORMAN. So that the public would participate in fixing the rate.

Mr. FELTON. We would have stable rates then, because a pool that was legalized would be one that we could rely on always. No one would violate it, because there would be no object in doing it.

Senator GORMAN. If that were done would not the public be more thoroughly protected than it is to day?

Mr. FELTON. It would, because the public to-day suffer from the manipulation of rates. Prior to the 2d of March I think the public suffered a great deal. I know of grain brought to New York at a straight cut of 2 cents per hundred pounds. The shipper, therefore, on that line had a great advantage over his competitor, because the other lines would not make any reduction.

Senator BLAIR. If this were done through the Commission the public would be represented; that is, the people and the railroad would agree upon tariffs together, and it would be the work of the two parties.

Mr. FELTON. Yes; if in the hands of the Commission.

Senator BLAIR. By the method suggested the people would agree through the Commission.

Mr. FELTON. Yes, sir.

Senator GORMAN. Is it not a fact that there has been very much less discrimination and favoritism in the way of giving these special drawbacks to individuals and firms since the passage of this act than was the case prior to it?

Mr. FELTON. Since the passage of the original act?

Senator GORMAN. Yes.

Mr. FELTON. Yes, sir; I should say so, treating the two years as a whole.

The CHAIRMAN. Did they not stop rebates almost universally for a time?

Mr. FELTON. Yes, sir; for five or six months. Then they discovered ways to avoid the law.

The CHAIRMAN. Do you think they have now got back to as reckless a condition as existed before the passage of the law?

Mr. FELTON. Very nearly so, before March. That demoralization of last summer, I think, you can charge partially to our Canadian connections.

The CHAIRMAN. You can?

Mr. FELTON. Yes; it was in connection with the lake and rail and Canadian lines from New England west-bound. They made a reduction in rates from Boston, and New York had to go below its usual rate; otherwise New York would be charging higher than Boston, and so it led to as much demoralization of our west-bound business as we had at any time in the last five years.

Senator GORMAN. Then, as I understand, you are an advocate of maintaining a system of governmental supervision of rates?

Mr. FELTON. Yes, sir.

Senator GORMAN. And the pool—I use the word in the railroad sense—should be legalized, and the rates made under that pool should be submitted first to the approval of the Interstate Commerce Commission, and then after that approval be put in force. That, you think, would be an effectual remedy for existing evils?

Mr. FELTON. Yes, sir; that would protect the weak lines, and without that protection I do not see how you are to stop demoralization in rates.

Senator GORMAN. Under that system you say it would afford absolute uniformity and prevent the larger lines from absorbing the weaker lines, such as the Baltimore and Ohio, the Erie, and so on?

Mr. FELTON. Yes, sir.

Senator GORMAN. And the result of that, in your opinion, would be what?

Mr. FELTON. That the public would have just as low rates as now, undoubtedly. The public would have a greater stability of rates and the weaker roads would be able to give the public better service, for the reason that if they had fair earnings they could spend more money on their properties. As it is now they have to save in every way possible, and that injures their service and hurts the public, and the public suffer with the railroads.

WATER COMPETITION.

Senator GORMAN. In making up your through rates how much of a factor is the Erie Canal and the transportation down the lakes and through the Canadian canals and by the Mississippi River in determining the question?

Mr. FELTON. During the season of navigation, when the lake and the Erie Canal are open, we practically ignore the water transportation in making the all-rail rate. We do not hope or pretend to compete with the water rate, and look only to the traffic which comes through by rail. We get quite a large business from Buffalo during the season of navigation, and that is in competition with the Erie Canal.

Senator GORMAN. So it is a trifling factor on a large proportion of the freight.

Mr. FELTON. Yes, sir, during the season of navigation; but it would be out of the question for a line from Chicago to New York to attempt to meet the water competition between those two points, so they do not try to do it.

Senator BLAIR. What is the actual difference in cost of transportation by water and by rail?

Mr. FELTON. It varies from day to day. It is as low as they can put it. Sometimes I have known it to be 40 per cent. of the all rail rate.

Senator BLAIR. That is, for these six or eight months of the year?

Mr. FELTON. Yes, sir.

Senator GORMAN. Between the improvement of the canals and the enlargement of these Canadian water-ways has it had any decided effect during the summer months in diverting trade from our American ports?

Mr. FELTON. That has not affected our business so much as it has the business of the northern lines. I think you will get information on that subject from the New England roads and from the Michigan Central, and the New York Central too, probably. Those lines, being in-

terested in the northern New England business, feel it more than we do. We do not feel it much at New York.

THE DIVISION OF TRAFFIC.

Senator HARRIS. You say you recommend the legalizing of pooling; how would you settle shortages? What would be your recommendation as to settling shortages and taking care of the weaker roads?

Mr. FELTON. My preference would be simply to turn the traffic over and let each road actually carry its share of traffic. But as the shippers object generally I think the next best thing would be to regulate it by cash payments. One of the principal reasons why the shippers objected to the diversion of their business before the passage of the law was on account of concessions that they were receiving. Now, with a strict maintenance of rates, I do not know that they would care so much about it. It might be a practicable plan.

Senator HARRIS. Then you think you are drawn towards the conclusion of settling shortages, where they occur, in cash.

Mr. FELTON. I say I do not know but what you could do it by transferring the business.

Senator HISCOCK. Is it not true, following out the suggestion of Governor Harris, that if you legalize pooling and adopt the plan of settling the shortages of transportation in cash, it would make it for the interest then of all the railroads—of all the weak railroads—to carry just as little as they could, instead of, in fact, doing all the transportation they could? Would they not be entirely willing that the stronger and better roads should carry the traffic, and would not this tend to close up transportation on the weaker roads and force the stronger roads to carry it?

Mr. FELTON. That was the only reason I had in saying that I preferred if it could be adjusted to transfer the business, and if that could not be done my second preference would be to settle in cash. That could be left in the hands of the Commission to change the proportions if they found it expedient to do so.

Senator HARRIS. If a settlement were made according to that method the stronger road that carried an excess of freight would carry a portion of that freight without compensation, and the weak road receive a bonus without doing anything whatever towards the transportation of that excess of freight.

Mr. FELTON. The stronger roads in the old time carried it for nothing, expecting that in some new re-adjustment of the pool they would get an increased percentage. Under the operation of the law, with a legalized pool, they could not work with any such thing in view. They would not want to do business for nothing.

Senator HARRIS. If, as a matter of fact, your road fell short to any amount, and the New York Central had to pay you the amount of your shortage, to that extent the New York Central would have carried that freight without compensation, and you would have received the compensation for service that you had not rendered. Is not that true?

Mr. FELTON. Yes, sir; but the New York Central would not continue that more than one month. They would very easily find a way to confine themselves to their share of the traffic, and these fluctuations would not exist under a straight maintenance of rates.

Senator HARRIS. Then, against the will of the shipper, you would force the freight upon a road different from the one the freighter desired to ship it.

Mr. FELTON. I say if it could be arranged satisfactorily to even up the business it would be the best way, but if you are going to have trouble with the shipper by so doing I say settle in cash. If a road did a large excess of business it might pay the first month, but they would find it very inconvenient to run ahead afterward, so they would curtail their business.

Senator BLAIR. Would it not be as far as the law ought to go to provide that there may be differential tarriffs to be approved by the Commission and enforced by the law? Would not that be as far as the Government ought to go, so that you would then have the advantage of a tariff which should be adapted to your capacity to transport and to compete? With such a tariff protected by the law you could go into the field and get paid for what you did and only for what you did. Would not that be as far as the law ought to go, and would not that be sufficient?

Mr. FELTON. That might work serious damage to the public on the east-bound freight traffic, because that traffic is not like the west-bound. Take parties shipping flour or grain, if you please, and who might get a differential of 1 or 2 cents by the Erie, they would have an advantage over the other shippers.

Senator BLAIR. But that would have to be approved first by the Commission, and all these questions as to what would be fair and right would be taken into account in fixing the tariff. Is it not enough for the law to provide that the public shall be represented in the original adjustment of the tariff, the public and the railroads to make that tariff, and this law to enforce that tariff. Is not that all that ought to be done?

Mr. FELTON. You are a better judge of that than I am.

Senator BLAIR. I ask your opinion from a railroad stand-point and as a citizen.

Mr. FELTON. I think the practical result of that would not be as good as a legalized pool, because you would really have fluctuations through the differential.

Senator BLAIR. How could that be, when you have the same tariff for all roads?

Mr. FELTON. We now have a differential on the first class from Chicago to New York. The New York Central can make the distance in a day quicker than we can.

Senator BLAIR. Could they not do that under the law as it now is?

Mr. FELTON. Now, that does not apply to grain and flour east-bound.

Senator BLAIR. Make the tariff to suit the traffic east-bound; make the differentials where they ought to be made, and let the tariff be a common tariff for all. Or, in other words, make a tariff for each road just as it ought to be and the public be a party to it, just as now the railroad people do it among themselves.

Mr. FELTON. I can not help feeling that it would make considerable complaint, and I think I can illustrate it in this: say there is a flour mill on the Pennsylvania railroad somewhere near Chicago, taking Chicago rates. Now, that man is selling his flour in New York. He finds that the Erie road in Chicago is being patronized by his competitor, or may be his competitor is shipping by the Baltimore and Ohio or by any line running out of Chicago which is getting a differential, while he has to pay the full rate to the Pennsylvania Railroad. Whereas if you give uniform rates all around I believe you would get better results.

Senator BLAIR. You are dealing now with a man who pays the tariff rate.

Mr. FELTON. The pool would have this result, that the Pennsylvania Railroad taking one hundred cars a month from that man's mill would have that traffic. It is on their line, it belongs to them. Then there would be one hundred cars less taken out of Chicago than otherwise, and in the aggregate each road would carry its share of the business.

Senator BLAIR. But you are looking at this from the stand-point of the railroad entirely, are you not?

Mr. FELTON. No, sir; I am looking at it from the rail road stand-point only in this way, that to my mind we should give each line its fair proportion of traffic and protect the weaker line by legalizing the pool. In order to protect the weaker as against the stronger you must keep the shipper satisfied, and I believe the shipper is better satisfied with uniform rates by all lines. A pool would govern the rates on all lines. If the Pennsylvania have 25 per cent. of the business they would say to the Western connections, "do not engage to carry more than the 25 per cent." But if you have a differential you do an injustice to this man who has only one line to ship by, while his competitor in Chicago has three or four lines by which to ship.

Senator BLAIR. In other words, he is satisfied when he lives in a locality that has a disadvantage in situation, if he is to pay the same rate of freight as the man who is better situated.

Mr. FELTON. The rates are made from districts in the West. For instance, certain points take Chicago rates, and certain other points take a less percentage than Chicago. The individual who has mills located exclusively on one trunk line that changes the full rate is at a disadvantage compared with a man who has several trunk lines to do his transportation at differential rates.

Senator HISCOCK. Your examination has suggested to me this objection to pooling, that it would break down or destroy or impair the rivalry which now exists between the railroads in improving their methods of transportation, quickening the time of transportation and improving their terminal facilities. As it is now, you agree on a freight schedule all the way through, then instantly there grows up a sharp competition between the railroads for the freight, growing out of their power to deliver more promptly—travel on faster time, improved appliances for the delivery of the freight and all that sort of thing, with a view to controlling the volume of freight that is transported. It seems to me that your examination has suggested to me that objection to pooling.

Mr. FELTON. It never suggested it to my mind, sir.

Senator HISCOCK. Does it not now?

Mr. FELTON. No, for this reason; that the improvement in the condition of our roads and in our train service are improvements that we make when we have net earnings. Under the present law those improvements are made by the Pennsylvania and the New York Central; the other lines can not afford it.

Senator HISCOCK. But you destroy the inducements to the New York Central and the Pennsylvania and the other roads to improve their tracks and improve their cars and quicken their time of transportation, and improve terminal facilities if you legalize the pool.

Mr. FELTON. I think as a railroad problem that condition always obtains when a road is prosperous enough to spend the money. Everything tends in that direction. We all keep up with the procession when we can afford it.

Senator HISCOCK. Do you not think that railroad rivalry has done a good deal to improve railroad transportation?

Mr. FELTON. Yes, sir.

Senator HISCOCK. Now, when you establish a pool you destroy railroad rivalry?

Mr. FELTON. Look back at the improvements of the last ten years and you will see that is not so. The improvements were made under the pooling system.

Senator HISCOCK. If there is any objection to pooling in my mind it is whether you do not, the moment you make all the trunk lines into one great co-partnership, destroy the necessity of rival routes to improve in all the departments of railroading. If that be a subject upon which you have not given due thought, I would be glad to have you consider it and advise us of your opinion with reference to it.

Mr. FELTON. I would be glad to consider it, but I do not have any fear of the result. I think the question of improvement is one that will take care of itself, and I think that the matter of railroad improvement is one that will never stop.

At 5 o'clock and 20 minutes p. m. the committee adjourned until to-morrow at 10 o'clock a. m.

NEW YORK, *May* 8, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

STATEMENT OF CHARLES FRANCIS ADAMS.

Mr. CHARLES FRANCIS ADAMS, president of the Union Pacific Railway, appeared.

The CHAIRMAN. Mr. Adams, I will first ask you what your position is now.

Mr. ADAMS. I am president of the Union Pacific Railway Company and its associated lines.

The CHAIRMAN. How long have you been president of that road?

Mr. ADAMS. Five years.

The CHAIRMAN. What are the terminals of the main line and of its branches?

Mr. ADAMS. The Union Pacific system—for it has to be considered as such—includes about 6,000 miles, and its terminals are Omaha and Kansas City on the Missouri River, or the Missouri River towns, including Kansas City, Leavenworth, Atchison, St. Joseph, Omaha, and Sioux City, on the east; Denver, in the mountain region; Ogden and Salt Lake City, in the Salt Lake Valley, and Portland, Oregon, where we have a fleet of steamers in connection with the Oregon Railway and Navigation Company, to supplement our work on the Columbia River; then we have Butte, in Montana, on the north.

The CHAIRMAN. Those are the terminals of all the roads and the system, are they not?

Mr. ADAMS. That is the system. The Union Pacific in itself is merely a trunk line.

The CHAIRMAN. A trunk line? It begins and ends where?

Mr. ADAMS. At Kansas City and Omaha on the east, and the Missouri River towns and Denver and Ogden at the west.

Senator PLATT. At Ogden it connects with the Central?

Mr. ADAMS. It does.

The CHAIRMAN. Will you give us a description of each branch road which composes the system over which you have control, where they are located and the length? You have stated the termini, but I would

like to have the terminals of each road stated in connection with its name and length.

Mr. ADAMS. It would be difficult to specify them in detail, there are so many of them, due to the fact that we have a very rigid charter. Our system ought long ago to have been consolidated, and we have been obliged to carry it along in a very cumbersome way. The Union Pacific charter contained no provision for expansion. Congress, in 1862, seemed to regard what was then done as a finality in development.

The principal lines, branches, and connections we have are the Union Pacific proper, the consolidated company covering about 1,600 miles of road between Omaha and Ogden and between Kansas City and Denver and Cheyenne, making a sort of "H." Then there is the Oregon Short Line, which extends from a point near Salt Lake to Huntington, in Oregon, there connecting with the Oregon Railway and Navigation Company, which extends from Huntington to Portland, and is leased by the Short Line. A majority of the stock of the Short Line is owned by the Union Pacific, so that it is part of the Union Pacific system and should properly be consolidated with it for simplicity's sake.

Then we have a line running from Salt Lake north to Butte; and beyond these there are several smaller agricultural branches and mineral roads which are feeders of the Union Pacific, but not through lines.

The CHAIRMAN. The total length or mileage of the whole system is about how much?

Mr. ADAMS. The total length is about 6,000 miles, in round numbers.

The CHAIRMAN. What are your connections East and West?

Mr. ADAMS. At Missouri River points we connect with all the Chicago and eastern lines, and at the west our main connection is the Central Pacific, we ourselves reaching Portland by our system of leased lines.

The CHAIRMAN. You do not mean aside from the Central Pacific, do you?

Mr. ADAMS. Yes; by the Railway Navigation Company.

The CHAIRMAN. What is the length of those leased lines?

Mr. ADAMS. The Railway Navigation Company has between 600 and 700 miles of road in all.

The CHAIRMAN. You have a ninety-nine year lease, have you not?

Mr. ADAMS. Yes.

Senator PLATT. Do you have a San Francisco connection except by the Central Pacific?

Mr. ADAMS. No; that is, we can make a San Francisco connection by water by way of Portland, which we sometimes have been forced to do to solve certain complications.

Senator BLAIR. Is the Railway Navigation Company's line included in the 6,000 miles you have mentioned?

Mr. ADAMS. Yes.

The CHAIRMAN. Can you state generally the range of your local traffic, and the points at which you meet the competition of the ocean and of rival railroads?

Mr. ADAMS. There are very few points where we do not.

The CHAIRMAN. Where you do not meet with competition, you mean?

Mr. ADAMS. Yes; very few points, indeed. There may be a few small towns—certain points between Cheyenne and Ogden—where no competition is met. We meet competition, active competition, acute competition, at every point east of Cheyenne and Denver. There is no part of our road, I think you may say, that is not subject practically to competition. Beyond Cheyenne, 500 miles, we meet no competition on the main line until we come to Salt Lake City. There we again meet

active competition, and we meet active competition in Montana and in Oregon. Between Cheyenne and Ogden we meet no active competition, but there is very light business. It is a mountain region and there is really very little to compete for except our local business. That is a very valuable business, and will become very much more so as time goes on.

The CHAIRMAN. What do you mean by your coal business? Have you coal fields in that region?

Mr. ADAMS. Yes; we have very valuable coal properties west of Cheyenne in the 500 miles between Cheyenne and Ogden—where the Union Pacific passes through large coal fields. The country for 500 miles to the Missouri River east of Cheyenne is a fuelless country. There is nothing there to burn except corn. They sometimes have a superfluity of that. There is no coal and no timber, and accordingly as that country fills with population, it is inevitable that one of the most, if not the most valuable business of the Union Pacific will be carrying coal to those dwelling between the Missouri River and the mountains.

Senator GORMAN. Both east and west of the deposits?

Mr. ADAMS. Yes; there is no coal between us and the Pacific Ocean, so that the Central Pacific depends on us for its fuel.

Senator BLAIR. How extensive is that coal region?

Mr. ADAMS. It is practically unlimited.

Senator BLAIR. Is it sufficient for the probable consumption of the future in that country which is dependent upon it?

Mr. ADAMS. There is no doubt on that point.

The CHAIRMAN. I believe you said it was bituminous coal.

Mr. ADAMS. We have no anthracite coal. It is bituminous and lignite. It is very good coal. The only anthracite field that has ever been found out there is in Colorado, not on our system.

The CHAIRMAN. How much of a width of country on either side of your road do you naturally get business from?

Mr. ADAMS. Oh, that depends on the business; it is a cattle country, and cattle can be driven any distance, so that I can not say.

The CHAIRMAN. I had reference more especially to parallel lines that would interfere with your trade in any degree.

Mr. ADAMS. The control of the traffic depends entirely upon the character of the traffic. Some business will bear transportation a hundred miles to a railroad; other business will not bear ten miles. The question depends wholly on what cost of transportation the business will bear.

The CHAIRMAN. Can you tell us something about your competition with other lines in the ocean trade—the steam-ship lines?

Mr. ADAMS. There you touch upon a very large question, because it is affected by all sorts of considerations. There is the Asiatic trade which we had a monopoly of until within ten years. First it was cut into by the construction of the Southern Pacific Road, and the Atchison. Then the Denver and Rio Grande appeared as a competitor; so that it is now, as it were, in a phase of transition.

The CHAIRMAN. Have these several railroad lines you speak of their steam-ship connections?

Mr. ADAMS. Yes; but the situation is inchoate yet. It is not fully developed. You gentlemen doubtless realize that the experience of the Pacific coast is exactly like the experience of the Atlantic coast. The good-will of a business, if you may call it so, is very hard to cut into. We in the West have seen Boston, Portland, Philadelphia, Baltimore, and Norfolk, trying to wrest from New York the supremacy of its ocean

European trade, but in spite of the tremendous burden to which the New York business has been subjected, they have never succeeded in shaking it. On the contrary, all competing points have had to retire more and more from the field. New York is the market and financial center; it is the place where the buyer and the seller meet, and the commercial exchanges are carried on here.

It is exactly the same on the Pacific coast; and my impression is that the result in the end will work out in the same way there; that is, San Francisco is the New York of the Pacific coast, and as this continent goes on developing, I do not doubt there will be very good business for Puget Sound and for Portland, just as there is for Boston and Baltimore and Philadelphia and Norfolk; but when it comes to the question of Pacific coast supremacy, I have little doubt in my own mind that it will settle itself on natural principles, and that it will rest with San Francisco.

Montreal, on the east here, has been struggling for a portion of the European commerce, and not entirely unsuccessfully. It has done very well. This is a large country; there is enough for all; but Montreal has not shaken the ocean supremacy of New York in the long run. Yet, of course, our system of tariff and commercial restrictions affect results to a certain extent, and it remains to be seen to how great an extent the Canadian Pacific will throw commercial supremacy into English hands, and to what extent English marine interests will be able to control and divert from the natural line, by way of San Francisco and New York, the commerce of Asia.

That is a question I can not pretend to have any opinion about worth giving to this committee. It is too large a question. I merely mean to say that I do not believe in the long run—no matter what Congress may do—I do not believe in the long run, taking fifty years together, that the supremacy of San Francisco can any more be shaken than the commercial supremacy of New York has been shaken in the last fifty years.

The CHAIRMAN. You have a steam-ship line connected with your own route, have you not?

Mr. ADAMS. We had two steam-ship lines. One was the Oriental and Occidental line, which ran from San Francisco to Japan. The other, which is owned in connection with the Railway Navigation Company, runs from Portland to San Francisco, on the Puget Sound, and elsewhere.

The CHAIRMAN. Where does your first line run to?

Mr. ADAMS. The Oriental and Occidental was a line which we owned in common with the Central Pacific. It ran from San Francisco to Japanese ports and China.

The CHAIRMAN. To China, also?

Mr. ADAMS. Yes.

The CHAIRMAN. Is that line still in existence?

Mr. ADAMS. Yes; it is still in existence, but its traffic has been seriously interfered with by the law restricting the cooly trade.

Senator PLATT. You say its traffic has been seriously interfered with by the law restricting Chinese immigration?

Mr. ADAMS. I do.

The CHAIRMAN. That interferes with every other line in the same way?

Mr. ADAMS. It does.

The CHAIRMAN. In the general commercial trade of the country is your line sustaining itself in comparison with previous years?

Mr. ADAMS. You mean as to foreign business?

The CHAIRMAN. Yes.

Mr. ADAMS. I have not followed the figures recently, but my impression is that we are obtaining what the railroads call our share of the business.

Senator PLATT. Does Chinese restriction interfere with the commercial trade?

Mr. ADAMS. Yes. You see these were largely passenger steamers.

The CHAIRMAN. They were not engaged very much in commerce?

Mr. ADAMS. No. The profit was in the passenger traffic.

Senator BLAIR. You say the profit was in the Chinamen?

Mr. ADAMS. Yes.

The CHAIRMAN. As you understand, Mr. Adams, one of the purposes of this investigation is to ascertain, if we can, what effect the operation of these Canadian routes and their connections has upon the business of the country. Has your business been interfered with to any great extent by the Canadian Pacific and its steamship connections?

Mr. ADAMS. I would rather not go into the details of that question with the committee, as I do not feel sufficiently advised Our traffic people could speak much more intelligently upon the subject than I can.

THE INTERSTATE COMMERCE ACT.

I will simply say in regard to the operation of the existing system that I have been utterly unable to make up my mind what the effect of it, especially of the interstate commerce act, would be, for the reason that in my judgment the interstate commerce act has never been enforced sufficiently to show what its logical and legitimate action would be if it were enforced. That has been due to various causes, with which your committee are familiar.

The effect, therefore, of the act has been so intermittent and disjointed that, up to this time, I am obliged to say I have not, with the best thought I could give to it, been able to form my own judgment as to what the effect would be if it were enforced uniformly and literally, as I wish it could be. Put the law into active operation, and let us see what the effect is; and then we could work to a given result.

I ought to add, however, in order that I should not be misunderstood, that I see now a very rapid approximation to an enforcement of the act, which for myself, and I think in common with other railroad presidents, I am observing with gratification and great curiosity to see what will come about. The impression left on my mind in regard to the act and its effect on business is thusly somewhat vague.

Everything, railroads in common with water and every other thing that moves, follows the line of least resistance, and the line of least resistance for commerce, since this country was settled, has been perfectly marked out. In the East it has been the line of the Erie Canal, and the commerce of the country poured to New York, simply because that was the line of least resistance. The country settled and grew up on that line. The effect of laws recently passed has been to create an artificial resistance on that line, and I find in the case of the Union Pacific, as in that of other lines, that there is a tendency now to a diversion of traffic to what might be called the artificial line of least resistance to the Gulf of Mexico on the south, where traffic strikes water, or else to the lakes on the north where it strikes water. The tendency, owing to the long and short haul clause of the act and the maintenance of rates

which is now being brought about by the more perfect enforcement of the act, is to cause the eastern and western lines from Chicago and St. Paul to the seaboard to be put at a disadvantage as compared with the Canadian lines and the lakes and the Gulf of Mexico, so that there is a tendency toward finding new lines of least resistance, and in that way affecting the old lines and the business of the country.

The only way in which this would affect us would be on that class of business to which you have already referred—that is, the transcontinental business—and we wait to see to how great an extent these artificial restrictions which have been imposed will cause that business to go through Canada from the east instead of taking its natural course through San Francisco. But I will add, I feel perfectly certain that this diversion can not last; that whenever it develops itself the law must be modified, because no human law can permanently stand in the way of a natural course of trade.

The difficulty we find is that the laws are not enforced. There is a great amount of truth in General Grant's old aphorism that the proper way to deal with a bad law is to enforce it; then you can modify it according to the necessities of the case. Just so long as laws are put on the statute books and are treated as the railroad companies treated the interstate commerce law while the act was getting in shape—up to last January, we will say—I do not think that any man is wise enough to forecast what the results will be; they come to us in such an imperfect shape.

The CHAIRMAN. So that you are not prepared to say, even though you think the law has been enforced, whether it is a good law or not.

Mr. ADAMS. No. In some respects I do not hesitate to say it is a good law. In other respects I think the law was crude; that it was framed to meet some imaginary exigency, perhaps, instead of being framed in the light of practical experience. I have always thought that was the case. Meanwhile, the Interstate Commission are rapidly getting hold of the situation. It is a complicated machine. To have made such progress as they have within two years is, I think, satisfactory; for it will not do in these matters to be in too much of a hurry. I am advised that the companies are now obeying the law.

The CHAIRMAN. We seem to be in this rather anomalous position in this country, that the law is on the statute book, the railroads all wanting to enforce it, yet none of them are obeying it. [Laughter.]

Mr. ADAMS. That is true, and that is inevitably the case, because apparently you do not realize that the penalty of living up to the law may be the loss of business to those who live up to it. No railroad can do that permanently. It is not possible for any railroad running alongside of a competing line to rigidly enforce the interstate commerce act if its competitor does not obey it, without having the competitive business taken from it.

The CHAIRMAN. Taken from it by some other line that is not obeying the law?

Mr. ADAMS. Yes, that is it exactly. Therefore the railroads—so far as I have been able to talk with the presidents of the different roads—have all said that "we would like nothing better than to have that law enforced to the letter; but if we are to live up to it, we want it enforced by all; we want it given an honest trial. If we alone enforce the law, it may be at the expense of our stockholders and our property. It is not our money we are experimenting with."

The CHAIRMAN. Suppose you were all to obey the law; what would be your judgment as to the result?

Mr. ADAMS. That is entirely beyond me. I am sure of one thing—and that is the only thing I am sure of—I am sure that then the law would either be left alone, if it worked well, or amended if it did not. I am willing to have the problem worked out in that way.

The CHAIRMAN. There is nobody having any legislative power who is not anxious to make such amendments as the commerce of the country requires.

Mr. ADAMS. Then we could amend the law intelligently. But just so long as it is partially enforced, or spasmodically enforced, or so enforced that its construction is not understood, you only get imperfect results, and you may make the matter worse by efforts to amend.

COMPETITION OF CANADIAN LINES.

The CHAIRMAN. Going back to the proposition on which we started, as to foreign commerce, I understood you to say that so far as the trade that you had with governments east and west of us was concerned, it has not been interfered with by the Canadian Pacific.

Mr. ADAMS. I think it has been interfered with by all other lines that have come in; but I do not think the time has yet come to divert the channel of commerce. I can not speak positively as to the Canadian Pacific. The Canadian Pacific I do not consider as being fairly at work yet. But every line that has come in has immediately gone to work by some means or other to get a share of that business, and that has affected us.

The CHAIRMAN. The Canadian Pacific has its steam-ship line, has it not?

Mr. ADAMS. I do not know how far they have that developed and organized. The Canadian Pacific is a new road as yet, and I do not believe they have got their machine in running order.

The CHAIRMAN. I have understood that there was a subsidized line of steamers running between the Pacific coast and China and Japan.

Mr ADAMS. I should have to be more fully advised on that point than I am before I undertook to inform the committee.

The CHAIRMAN I will ask another question. Do you know anything about, or can you inform the committee, what differentials are allowed the Canadian Pacific?

Mr. ADAMS. No; I can not.

Senator PLATT. There is a bonded line of steamers running from San Francisco to the terminus of the Canadian Pacific, is there not?

Mr. ADAMS. I believe there is.

Senator PLATT. Is not that line carrying business which you formerly carried and would otherwise carry, and is not that business diverted by reason of that line of steamers of the Canadian Pacific?

Mr. ADAMS. Undoubtedly, so far as that business goes. That is old business; it is not new business. How far it is new business and how far it has affected the current of business up to this time, I can not tell you. I have not been advised; but my impression is that it can not have been very serious up to this time, otherwise I would have been advised.

The CHAIRMAN. You know nothing about differentials then out in the Western country?

Mr. ADAMS. Oh, yes. The differential system is a complicated system which we have either to ignore or openly adopt, owing to the fact, as explained to your committee at great length, that a line worked under considerable disadvantage can not be expected to surrender and go out

of business, and therefore you have to submit to its cutting until it passes a certain point and becomes unendurable.

The CHAIRMAN. An expedient for the division of traffic?

Mr. ADAMS. Yes, it is an expedient for the division of traffic.

The CHAIRMAN. Does your line have anything to do with the Central Traffic Association?

Mr. ADAMS. We have to do with all the traffic associations. It is one man's business to attend to them. I should rather not undertake to go into this subject with the committee, because it is a very complicated one, and I would have to get all my information from either the general manager of the Union Pacific, Mr. Thomas L. Kimball, or the traffic manager, Mr. Mellen. Mr. Mellen's business is nothing but to attend meetings of traffic associations. Mr. Mellen is occupied his whole time in attending meetings of the associations and keeping that portion of the business of the Union Pacific in shape.

The CHAIRMAN. Would there be any difficulty in securing his attendance at Boston if we should go there hereafter?

Mr. ADAMS. I can send for him at any time the committee wishes to see him.

The CHAIRMAN. You then do not seem to feel very much concerned about the question whether the Canadian Pacific Railroad is going to interfere with your traffic or not.

Mr. ADAMS. I am waiting to see. I do not at all say I do not feel concerned. I want, however, to see it more fully developed. I am perfectly sure of one thing, that though a good deal of mischief may be done before the thing is remedied, yet if we once get the thing developed so as to see what it amounts to, and it amounts to anything, the remedy can be applied. It has not worked long enough, and I have not yet been able to satisfy myself of the extent to which it will go.

The CHAIRMAN. If you are given a fair chance in the United States you can take care of the eastern and western traffic?

Mr. ADAMS. I have no fear as to that if we are given a fair chance.

The CHAIRMAN. What is the difference in length between the Canadian Pacific line from its western terminus to the East here—to New York or Boston or Portland—and our American transcontinental lines?

Mr. ADAMS. I can not tell you exactly. I do not consider the question of distance in these days as of very great moment.

The CHAIRMAN. Not when one road gets a differential over another?

Mr. ADAMS. It may be a question of grades or gauge or various things. It may be a question of even the facilities for doing business, as one road can do business much more cheaply than another. It depends on a variety of considerations. It used to be a humorous argument with freight agents to state to the shipper: "Why, we pull your goods more miles for the same money."

The CHAIRMAN. And they ought to have a little more for it?

Mr. ADAMS. No; that the shipper ought to transport by them, inasmuch as they would give the goods a ride.

Senator PLATT. Do you know whether it is a fact or not that goods can be taken from San Francisco by the water routes to the Canadian Pacific and be delivered at St. Paul and Chicago more cheaply than you can deliver them at those points?

Mr. ADAMS. I have seen that stated, and have made some inquiry about it; but I have not been able as yet to satisfy myself that the matter had assumed large proportions, or that it was not due to some temporary cause.

Senator PLATT. Practically it has not yet hurt you very much.

Mr. ADAMS. I have not been satisfied that it has hurt us to any very serious degree as yet.

Senator BLAIR. If it does not hurt you it does not hurt anybody, does it?

Mr. ADAMS. I can not speak as to that.

Senator BLAIR. But has it or not done injury to the Northern Pacific?

Mr. ADAMS. The roads work in such an indirect way that I would have to be better prepared than I am now to answer your question.

Senator BLAIR. You are situated as well as any other road with respect to that traffic, being situated in the center, or north of the southern lines of the country?

Mr. ADAMS. Ours is the natural line across the country. There is no doubt about that, and it will always remain so.

Senator BLAIR. For the Asiatic trade?

Mr. ADAMS. For all trade. It is the natural transcontinental line. We are the New York Central as among the other lines.

Senator BLAIR. And you are treating the Central Pacific as part of your line in this.

Mr. ADAMS. Yes.

Senator BLAIR. Are the high grades and obstructions in winter, going through the mountains, etc., any serious obstruction to your road being a great through channel?

Mr. ADAMS. Yes; but not such as to put us at a disadvantage. Our grades are better than those of any other line crossing the continent.

Senator BLAIR. Better than the Canadian Pacific?

Mr. ADAMS. I always considered that the Canadian Pacific was outside of the problem, but I am under the impression that our grades are better than those of the Canadian Pacific.

Senator BLAIR. I saw a statement to the effect that the Canadian Pacific, by following the grades of the ocean and touching Puget Sound, makes the distance 700 miles shorter to China than the route via San Francisco. Perhaps that is not so.

Mr. ADAMS. That may be; but I think you will find that it is here, as it has been with the trade along the Atlantic coast touching Portland, or some such port, instead of New York. I think San Francisco occupies much the same position on the Pacific coast as New York does on the Atlantic coast.

Senator BLAIR. Is it or not 700 miles farther to China via San Francisco than via Puget Sound?

Mr. ADAMS. And in the same way we have always heard about Boston being one day nearer Europe than New York; but I have not noticed that the one day ever affected the commerce of New York to any considerable extent, and it never will.

The CHAIRMAN. Going back to your own operations. It has been stated to me since I have been here in New York, that your road charged more for freight than the rate charged by other railroads. I think some gentleman who is building a road somewhere up in the Northwest is complaining because it costs him more to get his railroad iron where he wanted it—about 400 or 500 miles this side of San Francisco—than it would cost to take it all the way to San Francisco and then bring it back.

Mr. ADAMS. I am surprised to hear that statement; but, if it is correct, it would be a matter which I should suppose was due to some arrangement of the Central Pacific, and not of ourselves.

The CHAIRMAN. That I did not inquire into.

Mr. ADAMS. I think you will find that such is the fact. The Central

Pacific has always pursued the policy of charging less to San Francisco than to points this side of San Francisco, with a view to making San Francisco, which is the end of their line, the distributing point of that country. If this allegation is correct, it is a part of the old system in respect to rates in that country; but I know nothing about it. It is doubtless due to some arrangement of the Central Pacific.

The CHAIRMAN. Take your own line proper; do you do that, as a matter of fact?

Mr. ADAMS. Not at all, as I understand it. We have in times past done in these matters just as it has been the common practice of all the railroads of the country to do. The practices of the past have now been broken up and stopped by the provisions of the interstate commerce act, and I do not understand that this practice is followed by us now. But I ought to say that these are matters not coming within my jurisdiction. Traffic questions do not naturally reach me.

The CHAIRMAN. These questions are under the control of your traffic manager, I suppose.

Mr. ADAMS. Yes, they come under the control of the traffic manager at Omaha. It would be futile—it would be worse than futile, it would be folly—for me, sitting in Boston, to endeavor to regulate the traffic of the Union Pacific Railroad. It must be regulated on the spot, and those regulating these traffic rates must be responsible and have the power to act on the spot. Thus these questions only reach me when there is some matter of general policy to be settled, some question with reference to the course to be pursued under the law; then the question becomes one of general policy.

EFFECT OF THE INTERSTATE COMMERCE LAW.

The CHAIRMAN. Yesterday the general manager of the Grand Trunk Railway Company of Canada presented to the committee a circular which he sent to his employés, the purport of which was the requirement of an observance of the interstate commerce act in all business connected with the United States. I suppose that every president or general manager, or somebody connected with the railroad, exercised the same power in that direction.

Mr. ADAMS. I sent a similar circular to our officials, and framed it in very decided language, in the early part of the year; I again repeat what I said before, that I am extremely reluctant to express any opinions on the subjects, because we have not yet had time to see what the effect of the act is. I will state that we are watching it with additional interest because during the last three months the traffic results have been most unsatisfactory. It has been the most singular case in my experience. Up to January last the lines were extremely busy. The traffic was most satisfactory in every respect, but in January orders went out to the effect that there should be a literal compliance with the interstate commerce act in every respect. Now, whether it had anything to do with that I am not prepared to say, but business then disappeared at once, and up to this time the traffic conditions of the country west of Omaha—I can not speak of the country east of Omaha—is most unsatisfactory. I am not prepared to say that is not due to some temporary or local cause, and we are watching to see.

The CHAIRMAN. Are you aware of any other lines that have increased their business?

Mr. ADAMS. It is equally unsatisfactory with all lines. The only line where the business is satisfactory is the Northern Pacific, which is due

to local causes pretty well understood, and that make an exceptional case. I have corresponded with the presidents of other lines in order to ascertain whether our experience is exceptional, and they tell me that it is common.

The CHAIRMAN. And if there is any business to do, somebody certainly is doing it.

Mr. ADAMS. Undoubtedly, and we are waiting to see why this is thus. The thing will develop. It can not long continue in its present shape without bringing on disaster.

The CHAIRMAN. There have been in two or three cases expressions in favor of returning to the system of pooling, to the legalizing of contracts between competitive railroads. Have you any definite view on that subject?

Mr. ADAMS. I am not a very enthusiastic believer in either the expediency or the results of what is known as pooling. Nevertheless, I think that it ought to be recognized and legalized.

The CHAIRMAN. Subject to the supervision of the Interstate Commerce Commission?

Mr. ADAMS. Yes; under the operation of the law.

The CHAIRMAN. Have you any special suggestions to make as to amendments of the law as it at present exists?

Mr. ADAMS. On the contrary, my desire is not to see the law amended but to see it enforced, and then we will know how to amend it. My feeling in regard to the law is that now we are simply groping our way in the dark. It has not as yet had a fair trial.

Senator BLAIR. What is this mysterious feature of the law? What feature in the law is there that presents such an occult problem?

Mr. ADAMS. This country was built up on the principle of free management of railroads. That is, there might be pooling and rebates and drawbacks, and the haul for a longer distance, where the volume of business justified it, might be less than the haul for a shorter distance. Now a system has been introduced by law which wholly differs from the original system, and a commerce that has grown up under one system has suddenly another system applied to it.

Senator BLAIR. Have you any doubt that the passage of this law in a great measure stopped the cheating that was going on?

Mr. ADAMS. No.

Senator BLAIR. Well, that is one great feature of the interstate commerce law. This deceptive method of conducting business whereby one shipper has an advantage that another shipper does not have, is remedied by the law. That feature we keep. Another feature is the abolition of rebates. You would keep that feature in the law, would you not?

Mr. ADAMS. Undoubtedly.

Senator BLAIR. And there must be some other features you would keep. I thought it would be this long and short haul clause. Is it that feature of the law which the railroad managers would eliminate, or some other specific feature?

Mr. ADAMS. I can not speak for the other railroad managers of the country, and do not undertake to do so, and I have not suggested either the repeal or amendment of the law.

Senator BLAIR. You suggest its enforcement, and the difficulties of the country have been such that after great tribulation this law was enacted. Now we are charged with an effort to get light which may lead to an improvement of it, and I do not know anybody who understands the railroad situation better than you do, and I thought I might

be able to call your attention to some feature of the law which you desire to have amended.

Mr. ADAMS. The unexpected is apt to occur, and I think that to-day, as far as I can judge, things are working very well. I think the Commission under the interstate act is getting hold of the thing and getting to understand it and down into it. I think pressure is being brought to bear more and more heavily, and I am not myself in favor of either repealing or amending the law. I am in favor of leaving it as it stands, for the Commission to work upon; and by and by that Commission is sure, through its investigations, to point out anything that would be an improvement of the law and wherein the law should be amended. Natural forces will be brought to bear which will demand its amendment and perfection, and when that time arrives the law will be changed accordingly.

Senator BLAIR. And then have public sentiment behind it.

Mr. ADAMS. And then have public sentiment behind it. My position is the same to-day, though I am now a railroad president, that it was when I was a railroad commissioner of the State of Massachusetts. What I believe in for the remedying of these evils is publicity and the gradual working of public opinion, which will produce all the changes necessary. But you must give them time. You can not produce your results in a day; and I think the Interstate Commission through its investigations is proceeding as rapidly as could be expected. I do not see that there is much fault to be found.

ENFORCEMENT OF THE LAW.

Senator PLATT. In your opinion should the long and short haul provision be lived up to, or should it not?

Mr. ADAMS. I do not care about the short and long haul provision specially, but the law should be lived up to.

Senator PLATT. Is it your understanding that it has been lived up to?

Mr. ADAMS. I have my doubts about that; but I say that we should wait a little longer before changing or amending the law.

Senator PLATT. In what other respects has the law not been lived up to?

Mr. ADAMS. When you come to the intricacies of cutting of rates, etc., it is a large field. I will state to you one way of cutting, in order to show how things are done, and which is well understood among the lines. In certain cities of the country there are large lumber-yards and points of lumber shipment. These yards have their tracks running up to them—separate tracks. A box-car containing lumber is switched by the railroad company into that yard. The proprietor of the yard has a rate for the lumber, which is a very low rate, for the lumber rate is always extremely low. The car is switched into the yard and boards are piled up up against the doors of the car on each side. The interior space is filled with groceries and hardware and articles scheduled at higher rates, and the car with its mixed contents is carried to its destination at the lumber rate. The lumber dealer is simply cutting the rate on all these articles loaded between his lumber, and the railroad is conniving with him in doing so. I mention this as one practice well understood among railroad men.

Senator PLATT. Do you believe that at the present day the railroads of the country generally, and I refer particularly to the western roads, are living up to the requirements of the law pretty fairly?

Mr. ADAMS. I think they are doing so to-day more fairly than ever

before. But when you come to the degree to which they are living up to it, I should hesitate to speak without a great deal more information than I now have. The ways of evading the law by cutting the rate are so many and ingenious and the men are so expert at it that I should think him a bold man who would hazard a positive assertion in reply to your question.

The CHAIRMAN. You said once that a railroad president could not stop it.

Mr. ADAMS. I have seen no reason to change my opinion. He can stop it if he is on the spot and decapitates every one he catches doing it; but it is very hard to detect them.

The CHAIRMAN. As a whole is not the traffic on the railroads conducted more nearly on general business principles that it used to be?

Mr. ADAMS. I should hesitate even to say that, except for the period since the 1st of January. My attention was called to it pretty vigorously before the 1st of January and I looked into the matter in our traffic department, and the conclusion which I reached was that, prior to that time—prior, I say, to the time the presidents of the lines met here in New York—things having come to such a state that the presidents were brought together in New York for the purpose of consultation—I was led to the conclusion that affairs had never been worse than they had been a short time prior to that.

The CHAIRMAN. The general impression seems to be that the roads observed the law a little while and then they evaded it for a while, and when they found they were not prosecuted vigorously for not obeying the law they then became reckless for a time.

Mr. ADAMS. That was the impression made upon my mind as the result of my inquiries.

The CHAIRMAN. What has brought about the change; just this simple meeting of the railroad presidents here in New York?

Mr. ADAMS. When a thing gets very bad it is apt to remedy itself. Necessity causes a remedy. That had much to do with it. We were all alarmed by the course of events. As one of the most intelligent and thoughtful western railroad presidents said to me, in discussing this matter last October, "If there is a chasm before you, and you are continually approaching it, the time must come when you will go over." That was his view of the railroad situation. The demoralization was going on. The margin of profit between the cost of operation and what was charged was growing less and less, and it was a mere question of time when we would go into the chasm. There was a serious feeling of alarm. That feeling of alarm with intelligent men almost invariably leads to an effort at correction.

At the same time there was another element that tended to improve the course of events, the Interstate Commerce Commission. I give great weight to these investigations of the Interstate Commerce Commission. I think they constitute a very large factor in the situation, and when Judge Cooley and the other commissioners showed a disposition at last to get hold of the situation, to familiarize themselves with the ground, it tended to simplify matters. They had a difficult problem. You can not expect men to take hold of a difficult thing like that and get to the bottom of it at once. But when they went into the payment of commissions and the violations of law, and dragged them out into the light, it produced an effect at once. I think they are proceeding wisely. I do not wish to hurry them. So far as I am concerned, I am watching them with confidence, but I think the greatest service those commissioners can render—and I suppose what I say will be reported—the

greatest service that the commissioners can render the railroads just now is to prosecute two or three of the guilty ones.

The CHAIRMAN. I think it would be a good thing myself.

Mr. ADAMS. It would be like the assertion of Voltaire about the English Government, that now and then they shot an admiral to encourage the others. I think there could not be anything done to better the situation than to institute legal proceedings against some law-violating railroads.

Senator REAGAN. Do you conceive that the moral lectures delivered by the Interstate Commerce Commission are a better remedy than prosecutions for the violations of law?

Mr. ADAMS. I have a great respect for moral influences on railroad men as on others.

Senator BLAIR. They are very susceptible to such influences, are they not?

Mr. ADAMS. Yes. I say again, speaking from my own experience, in Massachusetts we accomplished very considerable results, but we never prosecuted any one.

Senator REAGAN. I have no doubt that is true; but if we recognize the fact that rebates are given and discriminations are made between shippers in violation of law, is it not as essential that such violators of law should be punished as it is essential that the violation of any law should be punished?

Mr. ADAMS. I have already answered that question, Senator. I have said I thought it would be the best thing that could happen if some prosecutions were instituted under that law.

The CHAIRMAN. What would you think of an amendment of the act providing for the giving of moieties to informers so as to find out who were violating the law.

Mr. ADAMS. The moiety system has not worked very well, has it, Senator? It has been applied in our revenue system.

The CHAIRMAN. I do not think much of it myself as a general thing.

Mr. ADAMS. I do not think it is necessary.

The CHAIRMAN. It does seem as if we would have to adopt some extraordinary means to find out what is going on among the railroads in order to bring them to an observance of the law.

Mr. ADAMS. Do you not think that is now being done with satisfactory rapidity? Take the utterances of Judge Cooley and I think you will find they have produced the desired effect; I think the progress being made is satisfactory.

The CHAIRMAN. It is aggravating to me, Mr. Adams, to learn that a great class of business men, representing thousands of millions of dollars, should almost universally admit that the recklessness of the men engaged in the railroad business was worse, if possible, since the interstate-commerce act was passed than before.

Mr. ADAMS. I think that is so.

The CHAIRMAN. Then it would seem as though something besides grass should be thrown.

Mr. ADAMS. Yes, and I think that is coming. I think the pressure of the act is showing itself. I do not dare to state it here as a fact, but there is a theory I have—and I give it purely as a theory, and not as a thing that I should state as the result of investigation of the present condition, or the prospective condition of traffic, judging from the past three months; it is this and I give it for what it is worth, as explaining the present state of affairs, namely: Since the first of January, owing to the action of the Interstate Commerce Commission, owing to

threats of prosecution, owing to the orders given by the presidents, rates have been maintained more rigidly and more evenly than ever before. There never has been a time in the history of railroading when the largest shippers and manufacturers could not dictate their own terms practically, except within the last three months. I think it not impossible that the two are looking at each other to see who will make the first breach. The railroad man does not want to be the first to cut the rate, and the shipper does not want to ship except at a cut rate, and the two are watching each other, and this results in the depression in traffic which has existed for the last two months.

The CHAIRMAN. They are practically waiting for some one to violate the law so that they can renew the practices heretofore followed.

Mr. ADAMS. That is the amount of it. With our ranks remaining unbroken, and rates maintained and rebates cut off, we shall have made a great step forward. I have therefore been watching and waiting; and, as I have repeatedly said here, I am now watching, and I am not prepared at this time to say whether or not the law is a practical one for working purposes, or whether it should be amended or changed.

Senator REAGAN. Mr. Adams, you have devoted as much time to the study of the railroad problem as any man in the country probably. Can you tell us is it probable that there can be a fair and satisfactory solution of the railroad problem in this country while the stock-watering system is to be encountered?

Mr. ADAMS. I do not think the stock-watering system amounts to much one way or the other.

Senator REAGAN. But the interest has to be paid upon it.

Mr. ADAMS. We have to take what we can get. We might have bankruptcy or anything else impending over us and we could not charge a cent more. If there is one thing that the people of this country ought to be entirely satisfied with it is the lowness with which the railroad traffic is conducted. There is no complaint on that score.

Senator REAGAN. I think you are right about that.

Mr. ADAMS. The difficulty is the inequality. If we could have equality of rates this would be the cheapest served country in the world. In fact, I have no sympathy with attacks on the railroads on this score. The one thing the railroad has done has been to accomplish in respect to cheapness of service the most magnificent triumph the world ever saw. Our one study and effort has been and now is to get the rates as low as possible.

The CHAIRMAN. One of the chief purposes of the act was to secure publicity and equality.

Mr. ADAMS. Yes; to secure equality and publicity, and I think the progress made in that direction is satisfactory. I do not think there is any just ground for complaint. I think the Commission is doing valuable work, and the thing I like best about their work of late has been that they do not seem to be in a hurry; they are getting hold of their business before they take any steps in public. I do not think they have made many mistakes.

REGULATION OF THE CANADIAN LINES.

The CHAIRMAN. Now, Mr. Adams, going aside of the general subject of the interstate commerce law, we have been looking into the question of these Canadian roads as they affect United States railroad interests and commerce generally. You are aware that there are quite a num-

ber of roads built into the United States from the Grand Trunk and some from the Canadian Pacific, making connections or feeders in the United States to their main lines. What is your general view of the movement in that direction; do you look upon it as a thing that ought to be encouraged or discouraged?

Mr. ADAMS. I suppose what the people of this country want is cheap transportation.

The CHAIRMAN. That is what the people are looking for, but do you think that it is a good thing to encourage these Canadian roads to run lines into the United States?

Mr. ADAMS. I think it is a factor in the direction of securing cheap rates.

The CHAIRMAN. You do not look upon it with disfavor, then?

Mr. ADAMS. I have always said that all I wanted was a free field and no favors. If the Union Pacific can not take care of itself in a free field with no favors it had better go to the wall.

The CHAIRMAN. I think the Grand Trunk has nearly a thousand miles of road in the United States, which it operates in connection with their main line. What do you know about that?

Mr. ADAMS. The subject, as I said before, is a complicated one. I am not prepared to say how far railroads subject to the law may be handicapped by it in competition with lines that are not subject to it, like the Grand Trunk. I am very sure if the law could be enforced equally, and, if found imperfect, modified accordingly, that its operation would be beneficial all round. It may be paradoxical on my part; I may be divergent from all the other gentlemen who hold similar positions to mine, but I am not disposed to find fault with competitors, provided competion is fair and even.

The CHAIRMAN. Suppose the interstate commerce act shall remain in force; is there any way, in your judgment, by which we can compel Canadian roads doing business in the United States to observe it? I do not mean only in the United States, but on through lines, for instance, like the Grand Trunk Railway from Chicago to Portland and Boston.

Mr. ADAMS. I think you will find yourself confronted with very serious difficulties.

The CHAIRMAN. In making them subject to the interstate commerce law?

Mr. ADAMS. Yes. I should be very anxious to see it worked out. Let us see what the result would be. I would let things alone, as at present, and let these Interstate Commerce Commissioners pursue their investigation and see what the result is.

The CHAIRMAN. It was suggested here on yesterday that there would be no objection to the building of feeder lines to the Grand Trunk and the Canadian Pacific into this country, and their doing business here back and forth, provided they were put under the absolute control of the Interstate Commerce Commission, and their lines and their conduct were subject to the inspection of the Interstate Commerce Commission not only in our country but in Canada.

Mr. ADAMS. This is a pretty broad field of inquiry, Mr. Chairman. I should hesitate long before I expressed an opinion about it.

Senator BLAIR. I understand your general position to be this: Open the whole continent to freedom of action, and if the Canadian Pacific proves to be the best line let the others be feeders to it.

Mr. ADAMS. I have no objection to that.

Senator BLAIR. But you would insist that our roads have equality in

conditions in Canada with what the Canadian roads have in the United States?

Mr. ADAMS. I have no doubt whatever that when you come to deal with that problem the law will conform to natural conditions. It will work itself out.

Senator BLAIR. If the natural channels of trade are from the north to the south, so far as the Canadian border is concerned, give us the natural operation of industrial conditions and freedom to put our feeders in Canada, as theirs are in the United States, and we will get the commerce. Is that your idea?

Mr. ADAMS. I have no doubt of it. How far artificial legal restrictions may affect it is another question.

Senator BLAIR. You would look upon political conditions as artificial, I suppose?

Mr. ADAMS. Entirely. What I mean to say is that, in the long run, the pressure of natural forces will remove those things, but they may produce very great injury, possibly financial panics, before the people awake to the necessity of action to remedy them. I do not pretend for a moment to say I am not anxious over the existing situation. I am anxious about it, and am watching it from day to day to see how it is going to turn out, but I do not know what could be done now to improve it. If I had supreme power as a dictator, I should be utterly at a loss to know what to do.

Senator BLAIR. If the continuance of commercial intercourse between this country and Canada is to have the effect of making a great nation north of us with political institutions unsympathetic with our own, with a rival sovereignty, in alliance with great powers on the continent of Europe, and to build there a basis of military operations against the United States in the future, would you not look upon those things as conditions of importance which should be considered?

Mr. ADAMS. I should if I were satisfied that they existed.

Senator BLAIR. Now, would you not look upon the growth of political institutions and those associations which lead to sentiments of nationality and patriotism as confined to a given locality as very important elements to be considered in connection with the industrial development? Would you not look upon those things which grow out of the nature of man as quite as important as those which relate simply to the surface of the earth?

Mr. ADAMS. I think those things are independent of legislation.

Senator BLAIR. Are they not the result of legislation?

Mr. ADAMS. No, I think not.

Senator BLAIR. Or is not legislation the result of them?

Mr. ADAMS. I think probably that is the case.

Senator BLAIR. If they are so forcible that they control legislation, may not these other questions yield?

Mr. ADAMS. Undoubtedly they may. Those, however, are very large questions that extend over ——

Senator BLAIR. Are they to be ignored because they are large?

Mr. ADAMS. No, not at all; but I mean to say that I am not prepared to express any opinion about them here and now.

Senator BLAIR. There comes a time in the development of this world when such large questions press themselves upon the country for consideration.

Mr. ADAMS. I should hesitate to express an opinion without further consideration.

Senator BLAIR. I do not know what a committee in pursuit of light is

to do when the luminaries refuse to illuminate. [Laughter.] I do not like to see so brilliant a light capped with modesty. [Laughter.]

Mr. ADAMS. You are very kind, but I should prefer to let the cap remain.

Senator GORMAN. Are you content to urge the strict enforcement of this law with the long and short haul clause and the prohibitions of pooling by our American roads, leaving the Canadian roads practically free to do as they please?

Mr. ADAMS. No; I am not.

Senator GORMAN. Well, what would you suggest?

Mr. ADAMS. The best way, if the law is defective, is to let it produce its results and amend it accordingly. I have not seen the law working long enough to have my own mind clear as to what the necessary amendment is.

What I mean is that if you gentlemen were to-day to authorize me to draft an amendment to the interstate commerce act covering these points, and said that you had no doubt it could be passed, I would be utterly at a loss how to begin. I have not the data on which alone legislation can be founded. That some changes may be necessary and ought to be brought about I think very likely; but I should say that the proper parties to bring about such changes are the Interstate Commerce Commissioners, who are investigating this thing continually, and who will in time have the data before them.

Senator GORMAN. Now, what I want to get at is this: Here in this country we have the interstate commerce law in operation, and the railroads are governed by it. Now, this system of roads north of us in a foreign jurisdiction, not governed by this law, comes down to this country tapping us at every point, taking our trade and coming in competition with our lines. You seem to agree that the general principles of our law are correct. Now, do you not believe that it is the height of wisdom by international legislation or negotiations to have the same conditions imposed upon the Canadian roads for the privilege of being permitted to participate in this trade as we impose upon our own roads?

Mr. ADAMS. I was trying to think how that would operate if it were reversed, suppose there were a code of laws in Canada which they asserted was founded on correct principles and was right and proper, and that that code of laws should be imposed by them upon the American railroads as a condition of their doing business in Canada? How would it work if that same rule were applied among nations, if one nation should in this way impose its own system upon another nation? It is a broad generalization.

Senator GORMAN. This is a unique case. It is separate and distinct from the case you state, and the conditions are just the reverse of those which you have stated. Three-fifths, probably, of all the traffic of the Grand Trunk Line originates in the United States, and as their carrying trade is in direct competition with American roads, if unrestricted, not subjected to the same conditions as our railroads, would it not result in bankruptcy if the law were strictly enforced upon our American roads and not upon them? Now, do you not believe that prudence and wisdom and every consideration dictate that we shall impose the same conditions upon them that we impose upon our own roads or else repeal the law?

Mr. ADAMS. As a railroad man, I should say yes.

Senator GORMAN. As an American citizen, what would you say?

Mr. ADAMS. There is a continual tendency in your questions, which are very ingeniously framed to that end, to carry the discussion into a

philosophical field, to which I have paid some attention; but they open such a very wide field that I am reluctant to go into it. It is this whole question of Governmental restriction and interference. My views on that subject are tolerably pronounced; but they are not in accord with the views generally entertained in the community in which I live; and I am not prepared to deny, representing, as I do, a large company, that the considerations of the day, which are all I have to consider—I am not looking after the next generation—indicate that your proposition is founded on justice.

Senator GORMAN. Well, I was only treating the case of to-day, and the practical case, without going into the general question. Would it not be a fact that if it is impossible under the present conditions and our present relations with Canada to enforce the provisions of our interstate commerce act upon all the through trade from Chicago or the northwest to Montreal, Portland, or Halifax, that it would follow as a matter of course that we would be compelled to relieve our railroads of the present restrictions?

Mr. ADAMS. You would either have to relieve them of the present restrictions in a measure, or you would find that commerce, as I said before, would follow the line of least resistance.

Senator GORMAN. And that would be over the roads that were not so restricted?

Mr. ADAMS. Undoubtedly. Now, I have no doubt that in many respects—take European commerce with this country, for instance—that the line of least resistance is through Portland, Montreal, Baltimore, and other cities. But that is more than compensated for by the commercial and other advantages predominating in New York, gravitation and everything else. There may be other considerations which would more than counterbalance, and which would enable us to hold our own; but whether that would be so or not, we should still be working under a disadvantage.

Senator PLATT. So, if Canada were to subsidize the Canadian Pacific road sufficiently it might overcome the tendency to——

Senator GORMAN. I was just coming to that. Now, it has been stated, Mr. Adams, and I think nowhere denied, that the Canadian Government—the English Government, probably—has granted a subsidy of $165,000,000 in round numbers to the Canadian Pacific, which is an amount probably greater than the cost of the road, or at any rate nearly so, and in addition to that, that they have subsidized a line of steamers from China and Japan to the Sound to an amount that I am not informed of, and have granted a subsidy to the extent of half a million dollars for a line from Halifax and Montreal to the other end, so as to bring the traffic of the Pacific on the subsidized steamers and receive it on the Canadian Pacific at this end. Now, with a road constructed with public money, with a line which in its ocean transportation makes two days shorter time between Japan and Liverpool than by your line, can the American roads control any considerable portion of that trade, operating under the conditions that you are to-day?

Mr. ADAMS. Taking the data as you give them I should say no, that it would constitute more than a preponderating influence.

Senator GORMAN. It would be sufficient, in your opinion, to divert the commerce through the channel of San Francisco?

Mr. ADAMS. To a large extent, in my opinion.

Senator GORMAN. I am asking for your opinion.

Mr. ADAMS. You know as well as I from experience that in the matter of foreign commerce natural influences are very hard to work against.

Senator GORMAN. But would it not control your charges to an extent that would be damaging if not destructive to the Pacific roads?

Mr. ADAMS. Undoubtedly. There you come to a point about which there can be no question. It might lead to the worst financial consequences to us, because we have to meet competition by holding out some inducement that would increase charges and eat into the margin of profits. The condition of railroading in this country is that it is continually doing its business on a narrower and a narrower margin, and when you have anything that eats into a margin of profit of course it is hard to meet.

Senator GORMAN. Taking your road—it is one of the great transcontinental lines, in which the United States is very largely interested, and your rates very largely depend upon the through trade—would it not impair your power to reimburse this country if the conditions that exist in reference to your company are such that if you continue to operate under the law you do so at a disadvantage?

Mr. ADAMS. Certainly. There is no doubt about that. That question answers itself. Whatever it takes from us it takes from our margin of profit.

LEGISLATION SUGGESTED.

Senator GORMAN. Then, as a fair arrangement, I ask your opinion whether it would not be the act of wisdom before the United States permits this road to complete its line through Maine and then on to Halifax, that we insist on the Canadian Government agreeing to operate with us under the same conditions that we impose upon you?

Mr. ADAMS. That would be a perfectly fair proposition for us to make.

Senator BLAIR. How would that remedy the difficulty since we do not impose any system of tariffs upon our roads?

Mr. ADAMS. I say that to the Canadian Government it would be a fair proposition to make.

Senator GORMAN. If that were the case, that like conditions could be imposed by general legislation, it has been suggested here that in the interest then of the public and of the railroads as well, that the next step which would give uniformity of rates and stop conflicts, as between the roads, would be to legalize pooling; that is to say, to permit a pool to be made for the division of traffic between the roads, to be approved by the Interstate Commerce Commission.

Mr. ADAMS. I think that should be done; I am no friend of pooling; I do not believe in it. Nevertheless I think it ought to be legalized, and the railroads be left to find out what is best through the natural process of experience.

Senator GORMAN. Under the conditions I have stated, with the rates to be first approved by the Interstate Commerce Commission, I understand you to say that it would be fair to the railroads. Now, how would it affect the public interest?

Mr. ADAMS. I think it would be advantageous. I have always maintained that the things the public interests required were publicity and stability, and it has always been a wonder and mystery to me—and I have been investigating the subject twenty years—how business interests could get along under conflicting railroad interests. The two things the public now need, far more than any simple reduction of rates, are publicity and stability, so that shippers and business men can look ahead and make their arrangements. If the community could

get as the result of any legislation those two points they could perfectly well afford to say to the railroads that they might charge 50 per cent. more than they charge now, and yet the public would be better off.

Senator GORMAN. And does it follow that that would involve an increase of railroad rates?

Mr. ADAMS. I did not say that. The two great things are a published rate and its regular maintenance, so that the shipper can have some security that when he ships at a rate to-day to-morrow will not find it cut one-half and a secret rate given to some one else at the time he was taking the published rate. If you could, through an international arrangement with Canada, take any step which would look to those two ends, I think it would be a very great point gained. There should be a common law between the two countries, through which a stable published rate would be maintained, and then legalize pooling, if necessary, and say to the railroads, do in that matter what you see fit, provided your rates are reasonable, public, and stable. Those are the three essential things.

LARGE AND SMALL SHIPMENTS.

Senator BLAIR. I recall that a little while ago in your examination you spoke of the fact that now for the first time the railroads and shippers confront each other, and that the large shipper is waiting to see if he really is to be deprived of his cut rate.

Mr. ADAMS. I did not say it as a fact. I spoke of it as a theory of my own, explanatory of the situation.

Senator BLAIR. Is it a fact that the chief obstacle in the way of the enforcement of this interstate commerce law consists of the combination shippers, or combination of shipping interests, rather than the opposition of the railroads?

Mr. ADAMS. That is undoubtedly true, inasmuch as the shippers are the persons who tempt and the railroads are the parties who yield.

Senator BLAIR. If the shippers yield, the natural operation of the law would be advantageous to the railroad, would it not?

Mr. ADAMS. Undoubtedly, as far as that law goes. The insuring of publicity and stability and equality of rates is to the advantage of the railroads.

Senator BLAIR. Is there any interest in the country that suffers, excepting the large shipper who wants his cut rate, by the enforcement of this law?

Mr. ADAMS. I am not prepared to answer the question in that shape and in all its breadth, because in transportation some regard should be paid to what it costs to do the business. You can perfectly well understand you may sacrifice a political principle to commercial justice. There is no question that a railroad can, under given conditions of traffic, haul a longer distance for a less charge than it would cost to haul a shorter distance.

Senator BLAIR. Going in the same direction?

Mr. ADAMS. Going in the same direction. For instance, take the question of carrying such a commodity as coal, and carrying it to a shipping point where you are running your trains and carrying so many car-loads a day, keeping your wheels in motion, and where your facilities for handling are perfect. Then take a place where you are peddling out a few car-loads of coal. Under those circumstances the railroad can not carry that peddling coal, though it be carried a shorter distance, at as low cost as it can carry the greater quantity of coal the

longer distance. It costs more to carry a car of coal to these peddling points than to carry one of the thousands of cars which are hauled the longer distance. There is no question about this whatever; and the only ground that you can stand on is that you must at times sacrifice an economical principle to political justice. It is so also in regard to large and small shippers. For instance, take a large coal merchant who ships a thousand car-loads a month, and there is no question you can afford to do his business for less than you can do the business of a small dealer who peddles out coal at retail, doing his business at a small station nearer the mine, where he may call for the delivery of a car-load a week.

Senator BLAIR. Then why should not the large shipper have the advantage of a cheaper rate, if that principle is to be admitted?

Mr. ADAMS. If that principle is to be admitted he should.

Senator BLAIR. You could compare that principle with the principle followed by the street railroads?

Mr. ADAMS. Yes.

Senator BLAIR. And you could ride 5 miles as cheaply as you could ride 1 mile?

Mr. ADAMS. Yes. The post-office is an instance of that principle. It is the violent re-distribution you are making which renders the enforcement of the law difficult. You have now in this country one of the most complicated manufacturing and industrial systems in the world. These enormous interests have been built up on a system that you have disturbed; and when you introduce your new system it inevitably must produce disturbance.

Senator BLAIR. What classes in the community are opposed to this re-adjustment?

Mr. ADAMS. Every large shipper who had secret rates is dead opposed to the law.

Senator BLAIR. And how as to competing points?

Mr. ADAMS. All competing points are opposed to the disturbance of the commercial interests that have gradually built them up under the old system. The transcontinental system, for instance, was built up for years on the principle that the rate to California was regulated by the rate around the Horn to San Francisco, and the railroads met the rate around the Horn to San Francisco, but put up the rates at points short of San Francisco to any point they might see fit; whether a reasonable rate or an unreasonable rate, it made no difference; it was the San Francisco rate plus the local rate back. When you enforce the long and short haul clause, San Francisco ceases to be the distributing center it was before. It was built up on the other system. We all know accordingly that San Francisco was nearly ruined for the time being by the construction of the Southern Pacific to Los Angeles, and of the Northern Pacific to Portland. Before that San Francisco was a distributing point for Oregon. Now, when you have this system it affects all the distributing points of that country.

Senator BLAIR. Who is affected beneficially by it?

Mr. ADAMS. New distributing points spring up. It is a readjustment, and you have to give time to see how it works.

Senator BLAIR. It is a question, then, whether the localities along the line of the road shall be promoted in their development and growth at the expense of competing points, or whether the competing points are to enslave the local points.

Mr. ADAMS. "Enslave" is a strong word, but undoubtedly what you give to one you must take from the other.

Senator BLAIR. If that is all so, and it is found that these two sys-

tems are in conflict, why is it not well to decide now which we are to enforce rather than to proceed further, for it seems from what you say we have sufficient light to see and know of the principles that are operating and the effect that is being produced?

Mr. ADAMS. I thought that practically it had been decided.

Senator BLAIR. That is, by the enactment of the law?

Mr. ADAMS. Yes, it established the principles. We are now going through the painful period of re-adjustment. That is all.

Senator BLAIR. Your view would not be that the passing through this period should be arrested, but that the re-adjustment should be made and there would be a better division of things than now prevails.

Mr. ADAMS. I should go ahead on the line we are now pursuing unless it proves more prejudicial than has yet appeared. I do not consider that results have yet developed themselves fully, but I think they are doing it day by day.

Senator BLAIR. Do you think the tendency is favorable or unfavorable to the general business of the country?

Mr. ADAMS. I can not say, because, as I have already told you, the act, in my opinion, has only made itself really felt within the last four months. The result in these four months has been bad; but that may only be temporary, and I do not think we have had time to see whether it is or it is not. If the last four months indicate a permanent condition of affairs we will know it very soon, and the law must then be changed.

Senator GORMAN. You do not think this condition is attributable exclusively to the law, do you?

Mr. ADAMS. Not exclusively, but I am waiting to see. As I said before, the large shippers and the railroads are watching each other now to see whether it is a new state of affairs, or whether it is going to be a temporary thing and the old state of affairs is to return.

Senator GORMAN. But independent of that, is there not a depression in large industries due to commercial causes, and which does not come from any enactment whatever?

Mr. ADAMS. That is my opinion; and I should feel far more uncomfortable than I do now if I thought the present condition of affairs was going to continue for a long period of time. I do not think it can.

Senator GORMAN. In regard to the Canadian Pacific, which was built by this enormous subsidy, would not this consideration be entitled to some attention as years proceed, namely, that stock changing hands and being enhanced in value by the improved condition of the road, that then the holders would have to realize on their holdings, and would not that help to relieve the question of subsidy?

Mr. ADAMS. Undoubtedly.

Senator GORMAN. But when this stock sells it must be sold at a higher figure than if the road were not built by public money, because the road would have the business.

Mr. ADAMS. In conclusion I wish to say that so far from being prepared to indicate a course to be pursued, I am afraid my own mind is in an unfixed state. When I answered your invitation I would much rather have told you that a person who himself sees no more clearly into the situation than I do could hardly be expected to afford any light to guide others. The only hopeful sign, not in regard to the business situation, but in regard to the working out of this problem, that I now see is the very good work that I think the Interstate Commerce Commission is doing. They are investigating concrete cases; and that is the only way to arrive at a result, and I think they are doing it in a manner which is very encouraging. But to me the situation seems

very confused, and I am obliged to say that not seeing my way clearly to do anything to remedy it, I do not see my way to do anything at all except to wait and watch.

The CHAIRMAN. Your idea is to keep still and await results?

Mr. ADAMS. Yes.

Senator PLATT. Is there any way in which we can ascertain the extent to which freight eastward from San Francisco is diverted to and carried over the Canadian Pacific?

Mr. ADAMS. Undoubtedly. That is a mere matter of statistics. I do not have those statistics. I have not the time to attend to everything connected with the Union Pacific, so that I do not even have, unless I call for them, detailed reports now sent to my office.

Senator PLATT. But your traffic manager can do that?

Mr. ADAMS. Yes, he can give you all the details with respect to the diversion of traffic and what it amounts to. My assumption is that the diversion can not have been inordinate, otherwise my attention would have been called to it in the general line of business. While things are going on in a normal way, without any special development of significance, they let me alone. When anything unusual occurs they call my attention to it.

The CHAIRMAN. Would there be a greater diversion of traffic from the Northern Pacific by the Canadian Pacific than from your road by the Canadian Pacific?

Mr. ADAMS. Yes, I always considered that it was the function of the Northern Pacific to look after that portion of the field. Mr. Mellen attends all the meetings of the traffic associations. He resides at Omaha, where our whole executive force is located. The fact is, I am often held responsible for things I have nothing to do with. Practically, in the affairs of the Union Pacific, I am not the president, or chief executive officer; I am rather the chairmam of the board of directors at Boston, while the executive of the road is located at Omaha. If you ask me such questions as you might ask Mr. Hughitt or Mr. Cable, or any of the presidents living on the spot, I tell you I do not perform their duties. I am chairman of the board of directors of the Union Pacific, and the persons whose business it is to keep advised about local, traffic, and detail matters are necessarily on the spot.

Senator PLATT. You occupy the position to the company that a consulting engineer does to the construction of the railroad?

Mr. ADAMS. Somewhat. While I have many duties to attend to, I am held responsible for things that really I know nothing of. It is a responsibility where I have no real power of control, and I might even go as far as Mr. Lincoln once did when he said, "I have no influence with this administration." In the management of a great railroad the officials on the spot must be held to a strict responsibility for results; they can not be held responsible for results unless they are clothed with adequate power. So I do not undertake to interfere unnecessarily with the executive officers of the Union Pacific at Omaha.

STATEMENT OF THOMAS L. GREENE.

THOMAS L. GREENE, representing merchants of New York City, appeared.

The CHAIRMAN. What is your business, Mr. Greene?

Mr. GREENE. I was until three or four years ago engaged in connection with railroad traffic. For the last three or four years I have been consulted by merchants with respect to transportation in the city of New York, and have been writing for commercial papers and keeping the run of the commercial side of this question.

The CHAIRMAN. With that statement of your position as a business man, and you having listened to the statements of different individuals at this hearing, will you, in your own way, give your views on the subject under consideration?

Mr. GREENE. The opinion of the merchants, as far as I have been able to obtain it among those with whom I am familiar, with regard to the competition of the Grand Trunk, is that they make a distinction between the Grand Trunk and the Canadian Pacific, as far as competition is concerned. Say, for example, as far as the traffic between Chicago and New York going through Canada is concerned, they do not consider, because it goes through Canada, that the competition is unjust. In other words, the matter of differentials that has been under discussion here applies also to the Chesapeake and Ohio, an American line wholly, which reaches Chicago and the Western cities through Norfolk, and has a differential about the same as the Grand Trunk at some points and more than the Grand Trunk at other points. That the traffic goes through Canada the merchants do not think is of itself unjust. We are continually, as merchants, sought to ship our freight, not by the Canadian roads themselves, but almost always by the fast freight lines which run through Canada; that is, by the American connections of these roads. So that we never think of it as Canadian competition really, but rather as the competition of one American line with another whose connection may happen to be geographically through Canada; but we never think of it as Canadian competition.

THE QUESTION OF POOLING.

There have been some expressions of opinion made here in regard to the question of pooling, and I might perhaps say a word on that. There is a certain misunderstanding in the public mind, I think, about what is exactly the popular feeling against—or was the popular feeling against—pooling. It is not that the railroads divide among themselves the money they get. If 50 cents is charged for a barrel of flour from Chicago to New York, we do not care whether the railroad divides that rate with some other road or not; but back of that is the fixing of the rate by the railroads at 50 cents. There is the question. It is not the question of dividing the proceeds, but the question of fixing the rate as to what it should be, and that is done always without consultation with the shippers. That is where they think they should be heard in this matter, and where their fear is in regard to the legalizing of pooling. It is bad enough now in some respects. I do not say that the railroads are not doing justice as far as they are able to do it, but the transportation question is one that interests every merchant, and he practically has nothing to say about the fixing of the rate on these articles of transportation. It is acknowledged that the railroad men

should number 75 or 80 per cent. of a rate or classification committee, but we think that the merchants should have 20 or 25 per cent. representation in such a committee. Now the railroads fix the matter without consulting the merchants. A man having $100,000 invested in business may wake up some morning to find that the railroad has made a decree that the rate on such an article will be reduced or advanced, thereby, perhaps, seriously injuring the business he has spent time and money to build up.

The CHAIRMAN. You refer to the price of transportation?

Mr. GREENE. The price of transportation, and included in that phrase also is the question of classification, which is at the bottom of all tariffs.

Senator PLATT. There is no difficulty about doing that now without pooling, is there?

Mr. GREENE. The merchants think that under the present system they have more rights than under a legalized pool. If there were any way by which there could be a *modus vivendi* between the shippers and railroads, and the cause of the merchants could be heard, they would not care whether their rates were fixed one way or the other. This thing of leaving it to the Interstate Commerce Commission to fix the rate is very satisfactory to the shippers, but they ask this question, whether it is understood that the Interstate Commerce Commission shall have the power to alter a rate? That is the question. The question is, what do these railroad gentlemen mean by saying that these tariffs shall be subject to the Interstate Commerce Commission? You know, gentlemen, that the fact is now that the powers of the Commission are relative. They say that if such a man has such a rate another man must have it too, but the Commission has no power to say what the rate of itself shall be on grain or on anything else. Is it the intention of this committee that the Commission shall have the right to make the rate *per se*? Otherwise a legalized pool for the fixing of rates would be harmful.

THE MAKING OF RATES.

The CHAIRMAN. The idea is that the Commission shall have the power to modify or reduce the rates that the railroads make.

Mr. GREENE. Well, that, of course, would take away the great objection to pooling.

The CHAIRMAN. Do they not have that power now under the law?

Mr. GREENE. Not *per se*.

The CHAIRMAN. The Commission has the right to pass upon a rate fixed by a railroad.

Mr. GREENE. As I understand the matter it is only relative.

The CHAIRMAN. And they can say whether or not it shall be reduced.

Mr. GREENE. I do not understand it so.

Senator HARRIS. If, in the judgment of the Commission, the rate is unreasonable and exhorbitant and unjust the Commission can say so and reduce the rate.

Mr. GREENE. Can the Commission say to-day that the rate of 25 cents on grain from Chicago is too high?

The CHAIRMAN. If the 25-cent rate is deemed to be too high the Commission could bring the railroad to answer and order a reduction or institue proceedings if the rate is not reduced after they have ordered the reduction.

Mr. GREENE. The shipper does not so understand it. They understand that if one town has a 25-cent rate another town can have it.

The CHAIRMAN. They have a right to decide whether or not that rate of 25 cents be an unreasonable rate, and if they decide that it is an unreasonable rate the result would be a reduction, or a prosecution, if the ruling of the Commission were not obeyed.

Mr. GREENE. The shipper and public do not understand it so. They understand the term "unreasonable" to be a relative one.

The CHAIRMAN. Of course almost all that kind of work is relative. One thing is relative to another; but taking into account all the relations that may exist in charges, the Commission have a right to determine whether the rate is unreasonable or not, and when they find that the rate is unreasonable then the only thing left is the reduction of the rate or a prosecution for damages on account of extortionate rate.

Senator BLAIR. That is in the case of an individual who deems himself injured; that is, that there would be a right of suit by law, and the Commission is to say in the first instance whether the rate complained of be an unreasonable rate; but I understand the point that you gentlemen make to be this, that the commercial community do not understand that the Commission can examine a tariff and say it is an unreasonable tariff and the railroad must reduce it. The remedy that comes out of a suit at law is one that the commercial community, as I understand it, do not find to be a satisfactory one.

Mr. GREENE. Yes, sir; we prefer that the shippers be in some way consulted beforehand in matters in which they are so vitally interested.

The CHAIRMAN. Your desire seems to be that you ought to participate with the railroads in the determination of what the rates should be?

Mr. GREENE. Yes, sir; the shippers should be, at least, consulted.

Senator GORMAN. As to the profits you can make in your business?

Mr. GREENE. No, sir; but take for example the grocers; the grocers now have a case before the Interstate Commerce Commission in which they suddenly found their charges increased 50 per cent. The dry-goods men found recently that the railroads made rates on cotton goods in bales rather than in boxes; they were not consulted in that.

Senator HARRIS. In what manner would you have shippers represented in fixing the rates of transportation?

Mr. GREENE. Any off-hand opinion would be of little value; in Germany they have representative commercial bodies who are represented before the rate-making power; but that would hardly apply to this country, because that is a governmental affair; each city in Germany has its board of representation.

Senator HARRIS. The producers all over the country are shippers to a greater or lesser extent as well as the merchants, are they not?

Mr. GREENE. Yes, sir.

Senator HARRIS. Now, how are you going to represent that great body of shippers in fixing rates by the many common carriers throughout this whole country.

Mr. GREENE. As the matter is now arranged the common carriers of one section make rates that are limited to the section to which that tariff applies. That limits the number very materially, and if they would give public notice that such and such a thing was in mind and was open for discussion and for hearings it would help the merchants very much. I am in favor of publicity, because thereby we could avoid a great deal of misunderstanding if we could but talk with another.

Senator HARRIS. Do you not think it proper and just that the merchants be required to confer with the consumers of the country as to the price that should be fixed upon their goods?

Mr. GREENE. I do not think that the railroad should consult the merchants in that way. I do not mean that the merchant shall fix the price for the railroad, but that there shall be some means of consultation with the merchants before the rate is fixed. The merchants should have some chance to explain what they wish, and in case of sudden changes why it should or should not be made and what not. But they would be perfectly willing, if I understand them correctly, to have that matter passed on by the Interstate Commerce Commission. The only objection to that, however, is that the matter of freight rates would in time get into Congress.

Senator REAGAN. You want the Commission to have sufficient power to supervise these rates before they are finally promulgated?

Mr. GREENE. Yes, sir; before promulgation or after it.

Senator BLAIR. Mr. Fink said the whole question was tending to one of Government control. Is there any possible way in which the community at large could be heard except through some governmental body?

Mr. GREENE. The merchants have different associations.

Senator BLAIR. The pooling arrangement would leave the community entirely devoid of the opportunity to bargain, because there would be only one party to consult, and that party could fix his own price. Of course the shipper must have the transportation, and pay the rate that one man puts upon it. You now have competition and the pool would deprive you of that.

Mr. GREENE. Yes, sir.

Senator BLAIR. One gentleman here said he thought that if the Commission represented the people at large we could legalize pooling and it would do away with existing evils; that is, that the rates should be regulated by the pool on the one side and the Commission on the other. Do you think that power of veto is all you need?

Mr. GREENE. Yes, sir; the power of veto and of alteration.

Senator BLAIR. And you to be heard by the Commission?

Mr. GREENE. Yes, sir; I do not think there would be any objection to that.

Senator HARRIS. That could be accomplished as well without a pool as with it, could it not?

Mr. GREENE. Certainly; but I would say that the merchants are very far from being opposed to these railroad associations. Their idea is that the rates should be flexible but not fluctuating. That is perhaps a sort of paradox, but that is their idea. They want, where the commercial necessity requires it, that the rate be changed, but they do not want unstable rates. A railroad war in rates is one extreme, and a legalized pool without thorough supervision would be the other.

THE CANADIAN LINES.

The CHAIRMAN. Your merchants here have very little concern or particular knowledge as to these Canadian railroads and their connections, have they?

Mr. GREENE. We know that they exist and we know that the American roads that ask for our traffic carry it through Canada.

The CHAIRMAN. Do you know whether or not they obey the interstate commerce law, or whether they are any detriment to the American roads or not, or is it a matter in which you are not specially concerned as merchants?

Mr. GREENE. It is a matter in which we are specially concerned, but

we do not look at a differential through Canada as different from a differential around by way of Norfolk.

The CHAIRMAN. You have no special views to give in reference to the existence of these Canadian lines, or their effects upon this country?

Mr. GREENE. The only thing is that we are accustomed to regard these Canadian questions separately. The carriage of goods between Detroit and New York through Canada is for example one thing, while the unjust discriminations put upon American vessels in the Welland Canal is another and separate one. The value of transportation through Canada, to the down-east parts of New England or to the northwest may be conceded, without any one being thereby committed to defending the Canadian discriminations against carrying New England fish in bond.

The CHAIRMAN. Have you any views to express to the committee in reference to the influence of these Canadian lines with respect to our roads?

Mr. GREENE. There is one suggestion that I might make. The Interstate Commerce Commission, of course, has the voice or power to say that under certain circumstances the long and short haul clause shall not be observed. They have in the course of their investigation of that subject decided that water competition, or competition with carriers wholly foreign, exempts our roads from this rule. Now, if in the meantime it should come to a question of absolute life and death, they might be willing to take upon themselves the power to say that, because a line which went through Canada was partly out of their jurisdiction, the competing American line might be exempted from the force of the long and short haul clause to the extent they might determine.

The CHAIRMAN. Suppose that road was exempt from the long and short haul provision, what would become of the road just contiguous to it? Take the Northern Pacific, for instance. Now, do you say because of the Canadian Pacific being exempt from the operation of the long and short haul clause the Northern Pacific shall be exempt from it also?

Mr. GREENE. Yes.

The CHAIRMAN. If the Northern Pacific is exempt from the operation of the law because it is doing business in competition with the Canadian Pacific, then the Union Pacific, which is doing business in competition with the Northern Pacific, would also have to be exempt from the operation of the law.

Mr. GREENE. Unquestionably.

The CHAIRMAN. And the Union Pacific does business in competition with the Atchison, Topeka and Santa Fé?

Mr. GREENE. Yes, sir.

The CHAIRMAN. Then you must except the Atchison and Topeka?

Mr. GREENE. Yes, sir.

The CHAIRMAN. Then you have no long and short haul clause left, have you?

Mr. GREENE. Yes, the same as now under water competition heretofore referred to. The Commission decided so where water competition existed and where foreign competition existed.

The CHAIRMAN. They suspended the operation of the long and short haul clause for the time being, in the matter of railroads that they had under investigation.

Senator PLATT. They said that for that time they so held, but I did not understand that the decision was a permanent one.

Mr. GREENE. The New Orleans rate was 55 cents and the rate to Atlanta was $1.14. That is an inequality, and the Southern States are now full of that thing. The Commission have decided that where a proper representation is made to them, after investigation, they will consider that water competition is a factor in determining the rates in violation of the act, or that part of the act with reference to the long and short haul requirements.

Senator BLAIR. Do you know any railroad in the United States that is exempt from the operation of the long and short haul clause by reason of water competition?

Mr. GREENE. All the roads between here and the Mississippi and between here and New Orleans are in the same condition.

Senator BLAIR. Is this a recent decision that you refer to?

Mr. GREENE. There is no decision. They have given it out that where there are cases or complaints brought before them touching water competition, they will consider the matter of water competition, as far as it goes, a defense. The Commission have recently examined all Southern tariffs where these violations of the short haul are numerous, and have ordered no changes where water routes compete.

Senator PLATT. They have not authorized a road to act arbitrarily at all in this matter. They are simply waiting for somebody to bring that question before them, as I understand.

Mr. GREENE. The case which was lately before them and where they ordered a change was the question of charging more just this side of Atlanta, but that is a case of land rates. The rate from New York to Atlanta is now $1.14, and the carriers think of raising it to $1.20, whereas a few points between are charged more.

Senator PLATT. There is no way, then, in which the question of rates between the land and water routes can be determined except by the regulating of the rates along the line of the water route?

Mr. GREENE. That is true. The rate to New Orleans was 55 cents, and is now 70 cents, which gives New Orleans an advantage over Atlanta, but the higher rate to Atlanta is not therefore unjust.

Senator PLATT. The rate to Atlanta is what?

Mr. GREENE. One dollar and fourteen cents. The Commission required them to arrange their land rate to correspond with the long and short haul. The rate to Spartanburgh was $1.24, which is just this side of Atlanta, and the land rate there should not be more than to Atlanta. There was no complaint of the rate being more to Atlanta than to New Orleans. The tariffs of the Louisville and Nashville and other Southern roads are full of these exceptions to the short haul rule. This water competition affects the whole Southern country.

The Grand Trunk is not a subsidized road like the Canadian Pacific, and if they should obey the law of course the merchants would look upon it very much as upon any other out-of-the-way route to get to a place.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

STATEMENT OF JAMES J. HILL.

Mr. JAMES J. HILL, president of the St. Paul, Minneapolis and Manitoba Railway Company, appeared.

The CHAIRMAN. What is your business at this time, Mr. Hill.

Mr. HILL. At present I am president of the St. Paul, Minneapolis and Manitoba Railway Company.

The CHAIRMAN. Will you please describe to the committee the various lines owned, operated, and controlled by your company, their several termini, and the region of country within which you are doing business?

Mr. HILL. Our line commenced originally at St. Paul. The original road as chartered was from St. Paul to the international boundary lines between Minnesota and the Province of Manitoba. That is the original land-grant road. The road has been extended into Dakota and into the Red River Valley. I think our first extension was made there in 1880.

The CHAIRMAN. It extends into Dakota from where?

Mr. HILL. From Breckenridge and other points in Minnesota.

The CHAIRMAN. Where is Breckenridge, with reference to St. Paul?

Mr. HILL. It is on the boundary line between Minnesota and Dakota, about the center of the western boundary line of the State of Minnesota.

From that time on we have continued extending the line as the country would settle up. For instance, we have in many cases surveyed a line one year. People followed the stakes and settled along them. The next year we grade; the third year we lay the rails down, and the fourth year have stations, not many, that will ship 600,000 bushels of wheat. The station from which the 600,000 bushels of wheat were shipped was on the line that now ends at Butte, Mont.

The original company runs to Great Falls, and from Great Falls we own or control the line lying wholly within Montana and which extends 190 miles, or in the neighborhood of 200 miles I may say, from Great Falls, on the Missouri River, to Butte——

The CHAIRMAN. Where is Butte?

Mr. HILL. Butte is on the west side of the main range of the Rocky Mountains, in Montana.

The CHAIRMAN. You cross the mountains.

Mr. HILL. We cross three ranges of mountains with the Montana Central.

The CHAIRMAN. How far is Butte beyond Helena?

Mr. HILL. It is 72 miles beyond Helena, but ranges of mountains intervene.

The CHAIRMAN. How far is Butte from St. Paul?

Mr. HILL. About 1,250 miles.

Senator PLATT. How many miles are there in your whole system?

The CHAIRMAN. You call these different roads over which you have control, a system.

Mr. HILL. The Manitoba road proper is about 3,000 miles.

The CHAIRMAN. You mean the road from St. Paul to Manitoba proper?

Mr. HILL. No, sir; its branches. It is all one concern, except the line in Montana and a line from Hinckley, Minn., to Lake Superior, a line from Watertown to Huron in Dakota, and a line from Willmar to Sioux Falls. The Manitoba road, however, owns all the stock of each of these roads.

The CHAIRMAN. They are branches of the main line running from St. Paul to Manitoba?

Mr. HILL. Yes, sir. Our main line now is from St. Paul to Butte. The word "Manitoba" is rather a misnomer. At the time the name was adopted the principal business between St. Paul and the country north of us was the transportation of freight and passengers to and from Manitoba. There were very few settlers north of a hundred miles from St. Paul, while the distance from St. Paul to Manitoba is 400 miles. The word "Manitoba" was added to the name of the road to identify it as the line reaching that country.

The CHAIRMAN. Where are the actual termini of that road going north?

Mr. HILL. At St. Vincent, in Minnesota, and at Neche, in Dakota, both on the international boundary.

The CHAIRMAN. One of these roads runs into Canada, I believe?

Mr. HILL. We have not a foot of road in Canada. The Canadian Pacific connects with us by two lines that have been built, one built by the Government and one built more recently by the company.

The CHAIRMAN. Is not Winnipeg in the Dominion of Canada?

Mr. HILL. Yes, sir; it is. It is 65 miles from the United States.

The CHAIRMAN. Have you not a line running to Winnipeg?

Mr. HILL. No, sir; we run through trains over the Canadian Pacific, or we haul their cars.

The CHAIRMAN. You have connection to Winnipeg?

Mr. HILL. Yes, sir.

The CHAIRMAN. How long was it after this first line was built before you had any competition? You have it now, I believe.

Mr. HILL. Well, just as soon as the Canadian Pacific Railway was completed the competition commenced. Prior to the construction of the Canadian Pacific Railway all the business going to the Canadian northwest, including the material to build the first thousand or twelve hundred miles of their railway, was carried over our route. At one time the business north of St. Vincent constituted 40 to 45 per cent. of our entire traffic.

The CHAIRMAN. I believe I understood you to say that St. Vincent is right on the boundary line.

Mr. HILL. Yes, sir.

Senator GORMAN. During what year was it that the business north of St. Vincent constituted 40 to 45 per cent. of your entire traffic?

Mr. HILL. It was in 1882 and 1883. During those two years it ran from 35 to 45 per cent. of our entire traffic.

The CHAIRMAN. You had a monopoly of the business from St. Vincent to Minneapolis, did you not?

Mr. HILL. Yes, sir; we had a very comfortable monopoly for three years.

The CHAIRMAN. What road was built that caused a division of that trade?

Mr. HILL. The Canadian Pacific was completed north of Lake Superior, and at the same rates we could not get any business, for the reason that goods used in Canada and Manitoba, on account of the duties, were bought in Canada. They were shipped from Montreal, Toronto, or any other point in Canada to merchants in Manitoba just as goods would be shipped from New York to Chicago, without anything more than the ordinary shipping receipt. If the goods were purchased in the United States for consumption in Manitoba they had to be accompanied with consular invoices. The goods had to be bonded; bonding agents had to be at the frontier points; the bonds had to follow the goods through to St. Vincent, and there they had to get the usual land-

ing certificate and inspection certificate. All this was more trouble than the shippers would undertake when there was no difference in the rate. We could not make any lower rate than the Canadian Pacific would make. Our road and its connections undertook to pay interest and something on the investment, and the Canadian Pacific's investment was borne, to an extent, by the Government of Canada.

The CHAIRMAN. The Canadian Pacific corporation proper did not have much invested in the road?

Mr. HILL. Yes, sir; I was one of the original ten who started it, and I know that there were ten millions of good money put in it to commence with.

The CHAIRMAN. How much was put in by the Government?

Mr. HILL. I do not know, sir. I sold out my interest in the Canadian Pacific. I saw that a conflict was coming, and I said, "We will part friends."

The CHAIRMAN. Have you any approximate knowledge of the amount?

Mr. HILL. That is a matter easily established. I might say it was one sum or another. It would be as you would reckon it. I think it was given seven or eight hundred miles of road, certain bonds were guarantied, and it was granted a great deal of land and a cash subsidy.

The CHAIRMAN. What is the competing line with your line now from Winnipeg?

Mr. HILL. There is very little business between the United States and Winnipeg. The Northern Pacific competes, but neither of us get enough to have any trouble about it.

The CHAIRMAN. Has the Northern Pacific Railroad a line to Winnipeg now?

Mr. HILL. Yes, sir; it is called the Manitoba and Northern Pacific, I think. In Canada it is a company that has been bonused by the province of Manitoba. Either the stock of that company is held by the Northern Pacific or the Northern Pacific operates the road.

Senator PLATT. Where is that road?

Mr. HILL. It extends from the boundary to Winnipeg, on the west side of the Red River. It leaves the United States between St. Vincent and Neche.

Senator PLATT. Where does it connect with the Northern Pacific?

Mr. HILL. At a point 14 miles east of our connection with the Canadian Pacific.

The CHAIRMAN. Is that the road about which there seems to be some considerable excitement and trouble?

Mr. HILL. Yes, sir; about a crossing of another line.

The CHAIRMAN. My recollection is that it was some time before the Canadian Government proper consented to allow the road to be built at all. Is that not the case?

Mr. HILL. That is true. The province had a right to build the road, but they had no right to do so under the charter of the Canadian Pacific or under the contract of the Canadian Pacific with the Canadian Government. The Canadian Government agreed to grant no charter to any railroad within 15 miles of the international boundary line for twenty years.

The CHAIRMAN. I have heard something of its being 100 miles.

Mr. HILL. That is not correct. The contract was to grant no charter for a road within 15 miles of the boundary line for twenty years, I think. The Canadian Pacific could take care of all the roads that were within the province.

The CHAIRMAN. Was that granted by an act of the Canadian Parliament?

Mr. HILL. Yes, sir.

The CHAIRMAN. It was to the effect that there should be no roads built, except by the consent of the Canadian Pacific, within 15 miles of the international boundary.

Mr. HILL. Yes, sir.

The CHAIRMAN. And that was the ground of objection?

Mr. HILL. Well, that was the agreement. It may have been waived for a consideration.

The CHAIRMAN. It was waived in this case, was it not?

Mr. HILL. Yes, sir; for a consideration.

The CHAIRMAN. What was the consideration?

Mr. HILL. I think there was a guaranty of $15,000,000. It was a very valuable franchise in the hands of the Canadian Pacific.

The CHAIRMAN. What competition have you now for the Winnipeg business?

Mr. HILL. We have the competition of the Northern Pacific from the United States, but the Canadian Pacific practically controls it; so that the Northern Pacific and the St. Paul, Minneapolis and Manitoba have little of that business.

Senator PLATT. The Canadian Pacific, then, really runs down from Winnipeg to Glyndon?

Mr. HILL. It runs to the boundary line, sir. We haul their passenger-cars.

Senator PLATT. They control that road down to the Northern Pacific?

Mr. HILL. If you will pardon me, no, sir; they do not control anything except to the international boundary line.

Senator PLATT. And the Northern Pacific controls the road to the boundary line?

Mr. HILL. Yes, sir; and to Winnipeg, over lines bonused by the Manitoba Provincial Government.

THE "SOO" LINES.

The CHAIRMAN. Has the Canadian Pacific any roads in that section of the country running into the United States?

Mr. HILL. There are two roads in Michigan and Wisconsin that are supposed by a great many to be owned by the Canadian Pacific. Those are the "Soo Line" and the line south of Lake Superior called the Duluth and Lake Shore Line. How far those lines are directly owned by the Canadian Pacific road I do not know. I do not think that the Canadian Pacific owns the roads. I think that parties who have interests in the Canadian Pacific also own large interests in these other properties.

The CHAIRMAN. Do you know who actually controls them?

Mr. HILL. They are controlled by the stockholders.

Senator REAGAN. Do you understand that a majority of the stock of that road from Sault Ste. Marie, to which you have referred, is owned by the Canadian Pacific?

Mr. HILL. I think that an even share of it is owned by the owners of some of the stock of the Canadian Pacific, but not by the Canadian Pacific Railway proper.

Senator REAGAN. And that same observation applies with reference to the road from Sault Ste. Marie to St. Paul?

Mr. HILL. Yes, sir; I understand it does.

The CHAIRMAN. Are those roads not now substantially subject to the Canadian Pacific?

Mr. HILL. No, I think not.

The CHAIRMAN. But they are operated in connection with that road, are they not?

Mr. HILL. To an extent, yes, sir; that would have to be so; that is, they are operated in connection with the lakes, and the Canadian Pacific use their eastern connection because there is no other connection or railway at the Sault. They also run down to some point on the lake and cross over, I think it is from St. Ignace, to the peninsula of Michigan, and there connect with the Michigan Central and Pennsylvania lines.

The CHAIRMAN. How many miles of those lines are in Canada?

Mr. HILL. Not a foot.

The CHAIRMAN. Where do they make connection with the Canadian Pacific?

Mr. HILL. On the international bridge or the bridge across the Sault River which the different lines own in common.

The CHAIRMAN. Where is this Sault bridge? Is it directly on the border line?

Mr. HILL. The Sault River divides the Canadian territory from the United States. It is exactly at the head of the canal, just where the Sault Canal opens into Lake Superior.

The CHAIRMAN. So that the bridge is on the line?

Mr. HILL. Yes, sir; it is on the line.

Now, that road from Minneapolis to the Sault was built mainly by the efforts of Minneapolis people. It was not a Canadian road. It was built by Minnesota people who were trying to get an eastern outlet on better terms, but after they had spent a large amount of money the load became a heavy one, and in the various ways of raising money it turned up that other people were interested. When the load became too heavy they naturally, I suppose, turned to those who would make a connection beyond, and in that way interested people who would get a portion of their tonnage over eastern lines to put their money in with them and complete the road. I think that is the way, substantially, in which the road was completed.

The CHAIRMAN. Is it not your opinion that the managers of the Canadian Pacific have been desirous of getting control of those roads and making then feeders to their trunk lines?

Mr. HILL. I should think that all the business which our roads get from there would be valuable to the Canadian Pacific. It would be very anxious, I should think, to secure it.

The CHAIRMAN. In harmony with the policy that has been pursued by the Grand Trunk farther east.

Mr. HILL. Yes, sir.

RELATIONS WITH THE CANADIAN PACIFIC.

The CHAIRMAN. I see in a St. Paul dispatch of the 5th that your company has effected a pretty close alliance with the Canadian Pacific. Is that true or not?

Mr. HILL. It is not true; not any closer than there is between the New York Central and the St. Paul, Minneapolis and Manitoba Railway. There are a great many such rumors as to different roads in the country, but I think it is safe to say that nine out of ten of them are groundless. The gentlemen who were very active in the Canadian

Pacific were my old associates in taking up the original St. Paul and Pacific and reorganizing it, and out of which was made the St. Paul, Minneapolis and Manitoba Railway, and it was the same party that to an extent took up the Canadian Pacific.

Senator BLAIR. Please give the committee the names of the gentlemen you refer to.

Mr. HILL. Sir George Stephen and Sir Donald Smith.

Senator BLAIR. I thought there were ten of them.

Mr. HILL. Sir George Stephen and Sir Donald Smith were two of the original ten.

Senator BLAIR. But who were the others?

Mr. HILL. I can not give you the names of the eight from memory.

Senator BLAIR. I would like to know who built it. It might be considered an American road.

Mr. HILL. No, I guess not; but I will furnish them if you desire.

Senator BLAIR. I would be pleased to have you do so.

Mr. HILL. All right; I will.

The names are as follows:

Sir George Stephen, Sir Donald A. Smith, R. B. Angus, Duncan McIntyre, of Montreal; John S. Kennedy, William L. Scott, Morton, Bliss & Co., of New York; James J. Hill, St. Paul; Morton, Rose & Co., London; Cohen, Reinach & Co., Paris.

The CHAIRMAN. What are your connections now with main lines?

Mr. HILL. Our connection on the west is with the Union Pacific's Utah Northern line for Oregon and California. On the east we connect with all the lines running to Chicago.

The CHAIRMAN. Those are American lines, are they not?

Mr. HILL. Yes, sir; there are no other lines there.

At Lake Superior we connect with our own steam-boats and with the lines of any other boats on the lake. I say "our own steam-boats;" I mean steam-boats in which we are interested which run on Lake Superior, between the head of the lakes and Buffalo. By that means we can keep our elevators clear and move the crops with reasonable certainty.

The CHAIRMAN. I have seen it stated that you either had been or were about to be elected a director in the Canadian Pacific. I have no right to ask you whether you are going to be elected, but I can ask you whether you are now.

Mr. HILL. I have not had any interest in that road for a great many years, and I do not know that I ever will. I do not know why I should. I have enough to do to look after what I have on hand; and I say that as far as a connection between the two roads is concerned there is nothing in that whatever. The two gentlemen named were old friends and associates in the early Manitoba enterprise, and they have always held a very large amount in the investment with me and have come back into our board.

ORGANIZATION OF THE CANADIAN PACIFIC.

Senator GORMAN. It will aid me very much if you will give the committee a description of your connection with the organization of the Canadian Pacific. You went into it with ten other gentlemen, and I take it for granted that a part of them were Americans, and I should like to have a little history of that organization. What inducement was offered and what did you get at that time from the Canadian Government?

Mr. HILL. It is a matter of public record to be found in all their reports. I would have to speak from recollection mainly. The Canadian Government agreed to build a transcontinental road when the Canadian confederation was settled between the provinces. In following out that agreement they put a large corps of engineers in the field, and they spent, I think, between $3,000,000 and $5,000,000 in examining the different lines between the Ottawa River, or between Ottawa and the Pacific coast. They let contracts to build some very expensive roads from the mouth of the Fraser River up to the interior of B Columbia to a place called Kamloops.

Senator GORMAN. Whom do you mean by they?

Mr. HILL. The Canadian government. The government partly built a line from St. Vincent to connect with the old St. Paul and Pacific, and that line was afterwards completed to connect with our reorganized St. Paul and Pacific, which is the Manitoba. They built from Winnipeg to Lake Superior to a place called Fort William, at a point near the mouth of Pigeon River; the first a good harbor on the coast of Lake Superior on the north shore, in Canadian water. They built to the nearest point west on Canadian water. The expense of building the road seemed to increase to such an extent that they were anxious to find a private corporation to build it, taking a bonus of some kind. Sir Hugh Allan and his associates, the steam-ship people of Montreal, undertook to make some operation or combination abroad that would furnish the means to build the road. I think nothing came of it whatever. The Canadian government then made a proposition to some of my friends who were interested in completing and pushing the Manitoba road. We were brought into more intimate relations with them on account of the connection that we were making with their government road at St. Vincent, and it resulted after various conversations in their asking us to make a proposition; not the Manitoba Company, but some of the original parties who created the Manitoba Company. That resulted in Sir George Stephen and Sir Donald Smith, who were the principal men, both prominent citizens of Montreal, Canada, making an agreement. It resulted in an agreement being formulated subject to the ratification of parliament. This agreement was made with the ministers of the crown, and provided, if I remember correctly, for the completion of the road, the government paying a bonus of $25,000,000 in cash and 25,000,000 acres of land and the company's property should be free from taxation for twenty years, including the lands, and all material to be used in the construction of the road to be imported free of duty. All the portions of the road, about 700 miles as I remember—may be 725 miles—theretofore built by the government, or under contract to be completed by the government, was to be completed according to contract and added to the cash and land bonus on the completion of the entire road.

Senator GORMAN. Turned over to your company?

Mr. HILL. Yes, sir. The cash and land were paid in 10-mile sections, or due in 10-mile sections, if I remember rightly; may be 20-mile sections, The other was to be held until the entire line was completed, and so the road was built under that original contract, with some modifications.

The CHAIRMAN. And the government had something over 700 miles of it built?

Mr. HILL. Yes, sir. The entire road was completed under that contract, it having been ratified by the Canadian parliament.

The CHAIRMAN. What do you mean by the entire road?

Mr. HILL. Well, the road from a point on the Ottawa River called Caledon to Port Moody on the Pacific Ocean.

The CHAIRMAN. Making the entire extent of the road how much?

Mr. HILL. I think about 3,000 miles; but the Canadian Pacific has, by the authority of parliament, in various ways, acquired lines running from Caledon, north of Ottawa, through to Montreal, another line down the north shore of the St. Lawrence to Quebec, and various other lines in Canada running as far west as Detroit, I think. I am only speaking from general knowledge, because all this occurred since I ceased to be connected with it. I only remained connected with the Pacific about a year after the formation of the company.

Senator BLAIR. Where were the 700 miles of road which were built by the Canadian Government and given to the company located?

Mr. HILL. From Winnipeg to Lake Superior and from Winnipeg to Emerson on the international boundary between Manitoba and Minnesota, and from Port Moody, near the mouth of the Fraser River, to Central British Columbia, at a place called Kamloops.

Senator GORMAN. It is stated, Mr. Hill, in some of the reports I have seen, that the 714 miles of road that the government built and transferred to this company cost $35,000,000. Do you know anything about that?

Mr. HILL. It was a very expensive road to build. Portions of it were very expensive and possibly included in that $35,000,000 would be the large sum spent in surveys, from three and a half to five million dollars over the entire line. I think that amount would be included in the cost of the so-called government road.

Senator GORMAN. I think that statement is taken from the reports of the Dominion government.

Mr. HILL. I had in my mind about from forty to forty-five thousand dollars a mile for the cost of the road, and that with this additional sum makes substantially the figures you name.

Senator GORMAN. The land subsidy, I understand you to say, consisted of 25,000,000 acres.

Mr. HILL. Yes, sir.

Senator GORMAN. At $1.50 an acre?

Mr. HILL. These lands were not granted as has been the custom in this country. They were not alternate sections within certain limits near the railroad. They were lands granted within what was known as the settlement belt—good average quality of agricultural lands and might be from anywhere. It was a floating grant.

Senator GORMAN. What did the company realize from that?

Mr. HILL. I do not know.

Senator GORMAN. I saw a statement to the effect that the Canadian Government took back from the company nearly 7,000,000 acres at $1.50 an acre, and gave the company $10,000,000 in cash for it.

Mr. HILL. All that occurred after my connection with the road.

Senator GORMAN. What would you consider the fair amount that the company realized on these 25,000,000 acres?

Mr. HILL. I think that a very large portion of those lands are still unsold; I do not know, however. Twenty-five millions of acres make a great deal of land to sell, and the lands have not been earned more than six years, so they could not have sold a great many of them.

Senator GORMAN. What of the further statement, that the Canadian Government paid the road $15,000,000 for the violation of the contract in regard to the extension of the lines through Manitoba?

Mr. HILL. That question of disallowance of lines to the boundary

came up within the last year mainly. I only know as to that from hearsay and what I have seen published in newspapers.

Senator GORMAN. Then it appears in 1884 the Canadian Government advanced twenty-two and a half millions more to expedite the road.

Mr. HILL. That was after my connection with it, and any statement I would make would only be hearsay and without any more knowledge than the public understanding. I have no particular knowledge as to what was done.

Senator GORMAN. Have you ever summed it up so that you could tell us the total amount of subsidy that they received from the Dominion Government?

Mr. HILL. I could not, but I have seen it in their printed reports, and it is very easy to ascertain the exact figures as to that.

Senator GORMAN. Well, is it about one hundred and sixty millions?

Mr. HILL. Possibly, but the reports will show accurately.

Senator GORMAN. Then that was more than sufficient to build the entire line, was it not?

Mr. HILL. There is some very expensive work north of Lake Superior. To say what it cost to build the entire line, the Canadian Pacific proper, or the portion for which the company originally contracted to build, does not cover the Canadian Pacific Railway of to-day. They have a number of branch lines, and I do not know what each of these branch lines or consolidated roads represent in their capital or official statement.

Senator GORMAN. With your general knowledge of the Canadian Pacific—eliminating the branch lines that they own in the United States and taking the main system through from the St. Lawrence to the Sound—how much private capital do you suppose was put in that road to construct and equip it, over and above the amount furnished by the Canadian Government?

Mr. HILL. My actual knowledge of that is not sufficient to enable me to make a statement that would be of any use; it would be nothing more than a guess, and I have not enough information to state closely on that. However, their annual reports will show that.

Senator GORMAN. From the impression you have from your connection with it, could you make a rough estimate of it?

Mr. HILL. I might make an estimate, but it would be like estimating the height of a house that I had never seen, and the estimate would not be of any value.

Senator GORMAN. I understand that this company you speak of built and completed the road.

Mr. HILL. The original Canadian Pacific Company, yes.

Senator GORMAN. Did they not build it with the money and subsidies allowed by the Canadian Government?

Mr. HILL. There are several pieces of railroad, several hundreds of miles of railroad in the system, which were taken in during the time this road was being built. Now what portion of their capital represents the lines which were taken in and what portion of their capital represents the lines from Caledon to the Pacific Ocean, is something that I could not state. I have no means of knowing, and you see why it would be necessary to know that to answer the other question. But their annual reports, I know, show it, and you can get the information from them. I would be very glad to answer the question if I had the information, but I do not know. It has been so long since I was connected with it, and a number of these lines having been taken up since, that I could not say.

Senator GORMAN. I was eliminating all the factors and all the roads built since, and confining myself to the contracts entered into by this company, of which you were one, with the Canadian Government to construct the line through to the Sound.

Mr. HILL. As I understand the question, you mean the bonuses of one kind and another given by the Canadian Government were equal to the cost of the original road, but I could not answer that question, for I do not know what the original road cost, and the cost of the entire property includes a lot of lines that were not included in the bonused lines.

Senator GORMAN. The point with reference to which I am inquiring is whether, in point of fact, according to your original contract with the Canadian Government, the government did not furnish in cash subsidies and land grants enough to enable you to build the main line without putting in any private capital?

Mr. HILL. The original contract would not build the railroad. I think the original contract, assuming that the land was worth a dollar an acre, would have left about $15,000 a mile to be furnished on the portion from Winnipeg west. I made figures on that several times, and had for six or eight months a good deal to do with it, and I think that that was about the estimate, that the lands were 15,000 acres to the mile and $10,000 in cash over the prairie portion, and that would be worth, say, $20,000 a mile. Several streams had to be crossed and heavy bridge materials of every kind had to be taken from Canada through the United States; men and supplies had to be hauled 800 miles, and it was an expensive line to build. It was also built in a great hurry, which added to the expense. I think that if they could have sold the land the bonus would be equal to $15,000 or $20,000 a mile, and I think that railroad with its equipment cost from $37,000 to $40,000 a mile to a place called Calgarry. Going over the mountains the land bonus was less and the cash larger per mile. The cash was worth more to the railroad that the unsold lands.

Senator GORMAN. Was the road bonded at all?

Mr. HILL. The land grant was bonded, but whether the road was bonded or not, I could not say. I think the road is bonded. I could not say positively, though.

Senator GORMAN. Well, I gathered from your statement that practically the road was constructed with the amount of money furnished by the Canadian Government; within the amount that was furnished by the Canadian Government.

Mr. HILL. There would be the proceeds of the bonds, whatever amount that would be, and whatever was paid for the stock in addition.

Senator GORMAN. How large an interest had our American people in that enterprise?

Mr. HILL. I think gentlemen in New York and myself had about one-third.

Senator GORMAN. But that has been disposed of. I understand you to say it has gone back into the——

Mr. HILL. I think before the road was completed these gentlemen were all reasonably glad to sell out of it.

Senator GORMAN. The ownership now is in whom practically?

Mr. HILL. It is scattered throughout Great Britain, some on the Continent, and some here in New York. I see the stock is sold here. I have never seen a list of the stockholders.

Senator GORMAN. You do not know whether the Canadian Government itself owns a controlling interest in the stock, do you?

Mr. HILL. I do not know that they own a share of it, nor do I know that they do not. I would say, however, that I have no idea that they own a share of it. I think the road is probably owned—the majority of the stock—in England.

The CHAIRMAN. What road are you now speaking of?

Mr. HILL. The Canadian Pacific. All this is my belief. From my familiarity with the matter and my knowledge of it in the beginning, I have no doubt that all these questions that you have asked, Senator Gorman, would be found accurately in the reports of the government and of the company.

Senator PLATT. Mr. Hill, there is a line of steamers running from Port Arthur, that goes somewhere, which is owned and controlled by the Canadian Pacific. Where do those steamers run to?

Mr. HILL. To Owen Sound, I think, which is on Georgian Bay.

Senator PLATT. Do these steamers bring freight into the United States?

Mr. HILL. No, sir; they do not. They are passenger boats. They are Clyde built passenger boats, which were cut in two, taken through the canals, and then put together up there.

Senator PLATT. Then those steamers cut no figure in the bringing of freight into the United States?

Mr. HILL. No, sir; I do not know that the Canadian Pacific brings much freight into the United States. They certainly do not bring much into our section. There are some goods that go out that way.

SHIPMENTS FROM CHINA AND JAPAN.

The CHAIRMAN. Can you give us any information with reference to shipments of goods coming from China and Japan, and then dropping down into the United States over the Canadian Pacific?

Mr. HILL. Goods come from the coast and from China for merchants in the United States in that way.

The CHAIRMAN. To merchants at what points most prominently?

Mr. HILL. At Chicago for one.

The CHAIRMAN. And at St. Paul and Minneapolis?

Mr. HILL. Yes, sir.

The CHAIRMAN. And at Omaha?

Mr. HILL. Yes, sir; and I do not know but that they get as far as New York.

The CHAIRMAN. And some of the shipments reach Kansas City?

Mr. HILL. I know of shipments coming from San Francisco to Omaha by way of Winnipeg.

The CHAIRMAN. How does it happen that they come around that way? Is not that a long way?

Mr. HILL. Probably the parties are not in a hurry for their goods. Five or six cents a hundred would be an inducement to bring them that way.

The CHAIRMAN. How does the Canadian Pacific happen to make 5 or 6 cents reduction in rates over and above American roads which come straight through?

Mr. HILL. The bulk of their tonnage is west-bound, or has been, and they have a great many empty cars coming back from the Pacific coast. I think that they would be glad to bring cars back loaded with freight which would pay at almost any rate they could get.

TRAFFIC OVER THE CANADIAN PACIFIC.

The CHAIRMAN. Have they any connection with lines running from Winnipeg south by which they could make an all-rail shipment, billed for instance at the Pacific coast down to Omaha?

Mr. HILL. Yes, sir; they have such an arrangement.

The CHAIRMAN. Do they disregard the interstate commerce act entirely?

Mr. HILL. I do not know.

The CHAIRMAN. You do not know whether they publish their rates or not, do you?

Mr. HILL. I do not know whether they file their tariffs with the Interstate Commerce Commission. Take our company and the Chicago, St. Paul, Minneapolis and Omaha Railroad, that would make connection from the Canadian Pacific line down to Omaha; they file their tariffs with the Interstate Commerce Commission.

The CHAIRMAN. Does the Canadian Pacific file their tariffs from Winnipeg with the Interstate Commerce Commission?

Mr. HILL. They do not issue a tariff from Winnipeg over our lines. They issue a tariff over their own lines simply.

The CHAIRMAN. Which is southerly to the border line?

Mr. HILL. Yes, sir.

The CHAIRMAN. Do goods come to any point south by arrangement with your line as to a given rate?

Mr. HILL. I think the competing rates are all settled by what is called the Transcontinental Association.

The CHAIRMAN. What is the Transcontinental Association?

Mr. HILL. The transcontinental lines have an association and their through rates are established by this association. I think the Canadian Pacific is allowed a differential. They have a passenger differential, anyway. I do not know whether they have a differential on freight or not.

The CHAIRMAN. What differential do they receive on passengers?

Mr. HILL. I think their differential is $5 on second-class passengers.

The CHAIRMAN. Five dollars for each passenger?

Mr. HILL. Yes, sir.

The CHAIRMAN. Do they receive that differential from Puget Sound?

Mr. HILL. Passengers can go from Chicago to San Francisco by way of Winnipeg over the Canadian Pacific for $5 less than they can by way of the Union Pacific and the Central Pacific.

Senator BLAIR. What is the difference in time on the trip from Chicago to San Francisco as between the Canadian Pacific and the Union Pacific and the Central Pacific?

Mr. HILL. There should be, if they have fair weather on the Pacific coast, about five days' difference in time.

The CHAIRMAN. It takes five days more to go around via Winnipeg by the Canadian Pacific than to go straight through; is that the idea?

Mr. HILL. Exactly.

Senator BLAIR. Take a man whose labor is worth a dollar a day, and it would be about even.

Mr. HILL. You would be surprised to see the number of people going that way. I have seen a great many—I do not know how many—on one train.

The CHAIRMAN. What is your observation as to business on the Pacific coast; is the Canadian Pacific diverting very much freight coming east from the American lines to their own lines?

Mr. HILL. You mean from points in the United States?

The CHAIRMAN. I mean from the Pacific coast. We have the Union Pacific and the Central Pacific making connection with San Francisco and the Southern Pacific line, and so on.

Mr. HILL. I do not recall more than a few instances where they carried a car load or two of sugar from San Francisco in that way. That, I think, however, was about the time the interstate commerce law was put into effect. Possibly it was a few months later. A few shipments came around that way. There is a good deal of foreign trade coming from Asia to the terminus of the Canadian Pacific.

The CHAIRMAN. Why is that?

Mr. HILL. They have a line of steamers running between China and Japan.

The CHAIRMAN. A subsidized line?

Mr. HILL. I do not remember that the subsidy applies to the present system. It is enough to take some of the freight steamers from the Cunard Line formerly running between America and Liverpool from the trade between Canada and Europe. They are now running between the western terminus of the Canadian Pacific and China. I understand, however, that some new and faster boats are being built for that line.

The CHAIRMAN. For the Canadian Pacific Line?

Mr. HILL. It is a line that will connect with the Canadian Pacific; it is an English line connecting China and Japan with the Canadian Pacific road through to Halifax, and there with a fast line of steamers running to England. It is intended that these steamers shall be so fast that they expect, as the manager or president of the Canadian Pacific told me within a few months, to take passengers from London and land them in St. Paul by way of Halifax and the Canadian Pacific as early as they can be landed in New York by the lines running to New York.

The CHAIRMAN. The Halifax steamship line is also subsidized, is it not?

Mr. HILL. I understand that some very powerful and fast boats are to be put into a line between England and Halifax.

The CHAIRMAN. What is your opinion, Mr. Hill, of this? The Canadian Government or the British Government has a subsidized line on the west connecting with the Canadian Pacific. It then practically builds the Canadian Pacific. Then it gives a subsidy to a portion of this line, in amount $186,000 a year, and next it subsidizes a line from Liverpool to Halifax. With that sort of a movement it gives that line, both water and inland, a very decided advantage over any other road on this continent, does it not?

Mr. HILL. I think that they would have, as far as that business is concerned, very great advantages; and I think it is intended by the Imperial Government that they should have such great advantages.

The CHAIRMAN. The original purposes of the construction of the Canadian Pacific was political, was it not? Was not the idea to bind the different provinces together in one political union?

Mr. HILL. The only lines of travel between the eastern and far western portions of the Dominion of Canada before the construction of the Canadian Pacific Railway was by San Francisco and on American lines. All the British Columbia trade to and from San Francisco prior to the construction of the Canadian Pacific was over the American lines.

The CHAIRMAN. The effect of the subsidizing of this eastern end of the Canadian Pacific and that steam-ship line running to St. John or Halifax—the effect of such a movement as that would be to draw away from Portland and Boston a large amount of their foreign trade, would it not?

Mr. HILL. I think that the government of Great Britain, through its board of trade and through every other means known to intelligent men, have done everything in their power to keep London the commercial and financial center of the commercial world. I think it would be a mistake to suppose that they will forego any opportunity, such as lies apparently within their power, in the Canadian Pacific, by the granting of a subsidy of a few thousand pounds necessary to make a through line that would run, we will say, from New York to Yokohama in two weeks. I think that within eighteen months from to-day you can go from New York to Yokohama in two weeks' time.

Senator BLAIR. How long would it take to make that trip via San Francisco?

Mr. HILL. I think the present time is about sixteen days from San Francisco, assuming that the rail time would be the same. There would be a difference of six or seven days.

The CHAIRMAN. Suppose this Canadian Pacific road were required to go upon its own soil to reach St. John or Halifax; what effect would that have upon the advantage that you say they now have?

Mr. HILL. We are a very intelligent people in this country. Railroads are corporations; and the corporations are controlled by the shareholders; and I think you will find that the Canadian Pacific is not on American territory.

The CHAIRMAN. Does no part of the Canadian Pacific road run on American territory?

Mr. HILL. No, sir.

The CHAIRMAN. But it is constructing a line through Maine, is it not?

Mr. HILL. I think you will find that that is an American road. It is an American road as much as the New York Central or the Pennsylvania.

The CHAIRMAN. Suppose that the American roads did not do business with the Canadian Pacific road and the Canadian Pacific wanted to extend its line to Halifax, how would it do so?

Mr. HILL. It would go by the Intercolonial Railway.

The CHAIRMAN. How much would that increase the length of the line?

Mr. HILL. Possibly about 100 miles; but that is a mere guess. The Railway Guide will give it to you exactly.

The CHAIRMAN. Practically, then, it would make no great difference to the Canadian Pacific road whether they ran on American soil or not?

Mr. HILL. I do not think the difference would be very material. It would not be sufficient to stop the business, but on the other hand it would be difficult to put up a gate at the international boundary.

The CHAIRMAN. I am not suggesting that we are going to do that.

Mr. HILL. I was thinking of the difficulty in carrying out the details of any arrangement of that kind.

Senator BLAIR. The gate would have to swing both ways would it not?

Mr. HILL. Those matters along our very long border will come up some day, and they will be very interesting subjects for international negotiation. There are some nice points in the question. I do not know why there should be any great difficulty in settling them, but I think it would be well to have them settled.

The CHAIRMAN. About as good a way as any to settle those questions would be by making Canada part of the United States.

Mr. HILL. I was born in Canada, and I think the Canadians make very good Americans.

The CHAIRMAN. So do I—many of them.

Coming back to your line of road, Mr. Hill—not the one running up to Winnipeg, but the other one—is it your expectation to reach the Pacific Ocean finally with a new line of road?

Mr. HILL. We are now within 500 miles of the coast.

The CHAIRMAN. I should think that you would naturally go on.

Mr. HILL. We might.

The CHAIRMAN. Where would be your point of destination, probably, if you went to the coast at all?

Senatar GORMAN. Probably Mr. Hill would not like the balance of the roads to know what his objective point is.

Mr. HILL. I do not know at present. I have not had time to go West and examine the harbors.

THE LINE THROUGH MONTANA.

The CHAIRMAN. Your road now runs through quite an arid region—say in Montana, where land is only subject to cultivation by irrigation?

Mr. HILL. The road in Montana to the Rocky Mountains runs through the valley of the Missouri and the valley of the Milk River for almost the entire distance. It is the line, substantially, recommended by Governor Stevens in the original Pacific reports.

The CHAIRMAN. Is that line going to pay you immediately?

Mr. HILL. Let me answer your first question. You spoke about that soil and country. I think that country will compare as to soil, water, and climate with the country along any line running from Chicago to Omaha or Kansas City.

The CHAIRMAN. Your line would be a competitor of the Canadian Pacific if it got to the Pacific Ocean?

Mr. HILL. Please let me finish. It was a matter of great interest and of surprise to me about the climate. The farmers commenced putting in their spring crops in and about Fort Benton and Great Falls this year on the 10th of February.

Mr. REAGAN. When did they begin putting in their crops?

Mr. HILL. About the 10th of February. That is earlier, I think, than crops are put in in Texas. It is earlier, I believe, than crops were put in in any other State of the Union.

The CHAIRMAN. In what latitude is that?

Mr. HILL. In latitude 48. Last year at an exhibition at Minneapolis, wheat raised out in that northwest country took the first premium as the best qualtity of hard fife or No. 1 hard, which has heretofore been considered the peculiar property of the Red River Valley. Cattle, sheep, and horses run on the ranges the year round there.

Senator REAGAN. How is the climate along your line east of Benton?

Mr. HILL. I think the average would be about the same as northern Missouri, although in Montana, in January, they will have from two to three weeks of very cold weather.

The CHAIRMAN. Will you tell the committee whether you would be a competitor with the Canadian Pacific if you went to the Pacific coast?

Mr. HILL. I think if we go to the Pacific coast we would be rather active competitors with all the lines.

The CHAIRMAN. Your line has no expectation of becoming a part of the Canadian Pacific some of these days, has it?

Mr. HILL. No, sir; none whatever.

Senator REAGAN. Have you any information in regard to the temperature westward along the boundary line, say from Assiniboin?

Mr. HILL. That is a very beautiful country. That is a country abundantly supplied with water—streams, mountain streams. It is a fine grazing country.

The CHAIRMAN. Is not this region which you talk about irrigated, and was not that fine wheat of which you speak raised by irrigation?

Mr. HILL. Not at all, sir.

Senator BLAIR. How about the climate and the passes through the mountains to get to the Pacific on the north?

Mr. HILL. There is a very easy way to the coast. There are two or three passes over the main ranges of mountains.

Senator BLAIR. Within our territory?

Mr. HILL. Yes, sir; within our territory. There is a very easy pass north of the boundary line through which the Canadian Pacific desired to build their road; but the government would not allow them. It is too near the boundary.

CONSTRUCTION OF THE MANITOBA ROAD.

Senator GORMAN. How far is your road south of the Canadian Pacific, on an average?

Mr. HILL. We are about 150 miles south of the Canadian Pacific, I should say, on an average.

The CHAIRMAN. How far north are you of the Northern Pacific?

Mr. HILL. We are from 90 to 150 miles north of the Northern Pacific.

Senator GORMAN. How much of a subsidy did your road receive from the Government from St. Paul to the Canadian line at St. Vincent?

Mr. HILL. On that 400 miles, the subsidy we received was under the grant of 1857, ten sections of land to the mile.

Senator GORMAN. You received no money at all, then?

Mr. HILL. No, sir; no money.

Senator GORMAN. Now, then, the balance of your road, leading clear out to Butte, is a line which has been built entirely without subsidy, is it not?

Mr. HILL. Yes, sir; without any subsidy at all.

Senator GORMAN. And built by private enterprise?

Mr. HILL. Entirely. Even the right of way we paid for to the Government.

Senator GORMAN. So that then there is a very slight portion of your road which has been subsidized.

Mr. HILL. Yes, sir.

Senator GORMAN. What is a fair estimate on the aggregate that your road would realize from those lands? Taking the whole of the grant, what would be a fair estimate?

Mr. HILL. Taking the whole of the grant, I suppose that in twenty years there have been sold $10,000,000 worth of lands; the proceeds of these lands has been used to retire the bonds of the company, so that it has in this way reduced the capital. The lands are pledged in that way. That was the case with the old St. Paul and Pacific, and that is the case with the present company. The company or the stockholders get only a benefit from the lands in so much as the bonds so redeemed are taken from above their stock. The capital is reduced that much.

Senator GORMAN. So that you have practically 2,400 miles of road running parallel to this Canadian Pacific and the Northern Pacific that were built entirely and exclusively by private enterprise?

Mr. HILL. We have now about 2,800 miles of road built, without any bonus or anything else except the stock and bonds invested by private parties.

Senator GORMAN. You built that road under very peculiar circumstances and very rapidly, too, I believe. I am told that the grading and the laying of the rails on your road was probably more expeditious than on any other road in this country or in Canada.

Mr. HILL. I think that for the length of the road we built it more rapidly than any road was ever built before.

Senator GORMAN. Is it single track?

Mr. HILL. Yes, sir.

Senator GORMAN. What is the average cost per mile of your road as it stands to-day?

Mr. HILL. The entire Manitoba system including its land grant, including all its sleeping cars, all its equipments, all its shops, all its terminals, which are very large, including a new line of steel steamers on the Lake, and several other properties, the entire capital is equal to about $26,500 a mile in stock and bonds.

Senator GORMAN. That is moderate.

Mr. HILL. I think it is lower than any other road in the country. That amount represents the actual capital of private individuals that has been put into the road.

CANADIAN PACIFIC COMPETITION.

Senator GORMAN. You are about 150 miles south of the Canadian Pacific, and you are under the operation of the interstate-commerce law in regard to the long and short haul clause, are you not?

Mr. HILL. Yes, sir.

Senator GORMAN. You are necessarily competing for that freight in the northwestern country that you pass through, and somewhat of a competitor with respect to rates.

Mr. HILL. Yes, sir.

Senator GORMAN. Can you compete with these other roads on fair terms to yourself, the interstate-commerce law being in force and being observed by you?

Mr. HILL. There are a great many times when the interstate-commerce law would work an apparent hardship, and I might say a very great hardship, upon the American lines, because the other line is not compelled to observe it. I think if the conditions were equal, and that if we had relatively the same conditions that prevail in Canada, an American road could not live. We have sixty-five millions of people in this country and a great deal more money than the people of Canada. The various business enterprises carried on in the United States as compared with Canada are enormous and furnish business and traffic and tonnage and persons traveling, moving in a way that is not the case in the lower or eastern portions of the Dominion, and if they had to depend upon themselves the same as our roads do, they could not live.

Senator GORMAN. But if this traffic is to go on and this interstate-commerce law is to be enforced rigidly as against all the American lines, can you compete successfully with the Canadian lines running to the north of you and tapping you at all the essential points, when they are not put on the same footing with you?

Mr. HILL. They have all the advantages that would operate in their favor and against the American lines. The railroad is a business enterprise, and the object of a business investment is to pay something back to the people who invest their money. Our capital for the past three years has been furnished mainly by our stockholders, each man

taking his proportion of any securities that the company issued for the purpose of building the road, and it was taken on the basis of a low rate of interest. If another road competing with us had to pay less interest or had any other means than its revenue from the business directly, they would have the advantage of us and sooner or later our enterprise would be a loss to the people who invested in it.

Senator REAGAN. Now, from this point [indicating on map] of this territory west, what population have they, and what competition can there be between your road and this other road at present, until the future settlements are made west of there?

Mr. HILL. There will never be anything but cattle and wool to carry from the Canadian side between the international boundary line on the south and Old Wives Lake on the north, and Long Creek on the east, and the Cypress Hills on the west.

Senator REAGAN. As to the balance of this country there is very little population or none at present.

Mr. HILL. The population is along the line of the railroad.

Senator REAGAN. But I am asking as to the population along here [indicating on map]. There is no population along here that will create any business for which to compete, is there?

Mr. HILL. There is a very nice and thrifty population along the boundary between the Red River of the North and the western boundary of the province of Manitoba, lying south of the Assiniboin River.

Senator REAGAN. My question is in reference to the territory west of the west[illegible] boundary of Manitoba along the international boundary. What [illegible]e to compete for there?

Mr. H[illegible] There is nothing at present except some cattle and wool.

REGULATION OF CANADIAN LINES.

Senator GORMAN. With those conditions, would it be an unfair proposition to say to the Canadian Government, "You must impose some conditions by international arrangement on the Canadian roads and their connections, so far as the provisions of the interstate-commerce law are concerned, so that the provisions of that law shall be enforced in Canada as well as in the United States, and in the event of your failing to grant such concessions we will then require the inspection of your cars for customs duties at the border?"

Mr. HILL. The entire question seems to be one that could be fairly arranged. I speak outside of our own matter, because while at one time it was a very important matter to us, since the completion of the Canadian Pacific road it is a very unimportant one. There is very little business between the Province of Manitoba and any portion of the Dominion that does not come over the Canadian Pacific road. I think that the regulation of the business that may be done by American lines and by Canadian lines in competition with American lines, and particularly from points in the United States to other points in the United States crossing Canadian territory—all those matters could be arranged with little trouble, because there are only two Canadian roads to deal with. The Canadian Government would only have two roads to deal with, the Grand Trunk and the Canadian Pacific.

Senator GORMAN. Do you think it would be a fair arrangement to require that they should submit to the same conditions exactly as the American roads?

Mr. HILL. I think that if the Canadian roads were compelled to do their business throughout the Dominion on the conditions that the

American roads are compelled to do their business in America, that the Canadian roads, notwithstanding the liberal bonus, could not live.

Senator GORMAN. Why?

Mr. HILL. I do not think they would get enough revenue from the rates to pay their bills. I think that a careful investigation of the annual reports of the Canadian Commissioner of Government Roads, showing the amount of money, bonuses, local aid of one kind and another that has gone into, you might say, almost the entire mileage of the Canadian roads, would surprise you, and I think that their conditions are such, excepting certain portions of the Dominion, say the province of Ontario, which is thickly populated with an industrious people, and certain portions of the province of Quebec, that the Dominion as a whole has to carry her railroads. The public have to carry the railroads in grants of one kind or another.

Senator GORMAN. What would be your suggestion, assuming that this interstate-commerce law is to be enforced rigidly?

Mr. HILL. As to the Canadian Pacific?

Senator GORMAN. Yes.

Mr. HILL. The Canadian Pacific would have some advantage. If there were a Chinese wall built along the boundary they would have some advantages, and I think the advantages possibly would be as great as the disadvantages, but the Grand Trunk road in Canada would be destroyed, or to a great extent damaged.

Senator GORMAN. Then how would you protect the American roads, which [illegible]ge that notwithstanding the law the Canadian roads continue to give drawbacks for the purpose of drawing trade from the territory along our own roads?

Mr. HILL. I think it is a very difficult thing for the officers of a railroad to control their own roads at all times and under all circumstances. I know of no other way that that will ever be brought about than by some arrangement for a division of business by agreement either under the law, and if it can not be done under the law, outside of the law, and if it can not be done outside of the law, then it will go as it does now, which is on the theory of the survival of the fittest, the stronger killing the weaker, and the public either having to suffer the road being worn out and the use of some of the lines abandoned, or paying a rate that will support two lines where one could do the business.

THE RESTRICTION OF RAILROAD CONSTRUCTION.

Senator REAGAN. Would it not be a wise policy, if a railroad has not business on which to sustain itself, to let that road go down rather than to tax the people on other roads to keep it up?

Mr. HILL. For the general public it certainly would. There are two lines which this question may take, one which has answered in some cases and in some of the States, and that is the restricting of the building of the roads. I think it is much the better way to say to us, if you and I, for instance, want to build a road from A to B and there is no road there, that we do so on our own judgment and at our own risk as to its paying. We should be compelled, I think, to submit a profile of the road to intelligent commissioners. If a reasonable expenditure would get a 26-foot grade, or what we call a half of 1 per cent., or one of six-tenths of 1 per cent. grade for the length of our road we should not be permitted to build one with a grade of 1¼ or 67 feet to the mile, because the road with a grade of 26 feet with the same locomotive will haul nearly twice as many cars as the road with the grade of 67 feet.

In other words, when a road is to be built then is the proper time to determine its ultimate capacity for its business. Then when that road is built either the inspector or commissioner or auditor, or whoever he may be, ought to be given authority to go through the books and see all the accounts, making up the cost of the road, and to prevent extortion it shall not charge an unreasonable rate under any circumstances, whether they get a return on their capital or not. They should be indulged more, however, in a new country than in a place of more development.

Senator GORMAN. But you have the other condition now, to build anywhere.

Mr. HILL. I say when you have that road, as the business grows and the tonnage increases and the country develops, compel it to do its business at prices that will give it a fair, and no more than a fair return upon its fairly invested capital. If you do that you will get the work that that road is capable of doing, and as such a line can do a great deal you will get the work done at a much lower price than you would if you found that road running from here [indicating] without any restriction other than such as may be imposed in numerous ways varying as often as the State legislatures meet.

Now, as soon as a road is profitable somebody conceives the idea of paralleling it, either to compel the richer road or better established road to buy them out or to divide, and the result is as a rule that the stronger controls the weaker and the public have to support the two roads where one would do, but there are little towns springing up on the second road and they can not afford to do without their railroad any more than the big ones can, and there is where the trouble comes up. I think the rates in the United States can be reduced very materially, and I think they will be.

Senator REAGAN. Has not a large proportion of the contention between railroads grown out of the fact of several roads trying to encroach on the territory legitimately belonging to other roads?

Mr. HILL. That is a source of much trouble. You may say that the more conservative men when they have a reasonably good property lying in a certain region of country deem it their duty to take care of it. Somebody attempts to build into it and they have either to drive them out or frighten them off or make reprisals. That leads to overproduction of roads. In the first place it leads to an investment of capital that is of no value to the country. That capital might as well be carried to the cemetery and buried in the grave of the owner; it is dead.

THE DIVISION OF TRAFFIC.

Senator GORMAN. Now, with the present condition of things, I understand you to say that, in your judgment, the only remedy is to permit pooling, or a division of business.

Mr. HILL. Pooling may be an offensive name for it, but it is the same as a division of business by agreement. I do not know of any other way.

The CHAIRMAN. Does that involve the sending of a man's goods over a line that he does not want them sent over?

Mr. HILL. It ought not to.

The CHAIRMAN. Then you have got to divide in cash instead of dividing in business, have you not?

Mr. HILL. I think you can divide the business. One might refrain from taking business from a certain district, saying, "We leave you

that; you leave us this." I do not think they should carry it as far as some pools have where the weak roads have been supported by a cash subsidy that came out of the people who bought the transportation on the other roads.

The CHAIRMAN. It was stated here yesterday that the Erie got a million dollars for business that it did not do.

Mr. HILL. The Erie has contributed, I have no doubt, a great deal to the wealth of this country, and a great deal to the wealth of the West. I am not aware that the people who put their money into the Erie originally ever got a cent of it back up to this time It seems to be a condition of things that has prevailed throughout the country with respect to many of the railroad enterprises. I think in a good many cases roads have been overcapitalized.

Senator REAGAN. There is no doubt that it would remedy the situation if there were a division of the traffic to sustain the weaker and competing roads, but the question comes up whether it is a sound policy for the Government and the people to sustain roads that are incapable of sustaining themselves. I see here in article 5, section 3, and paragraph 1, of these articles of association of the trunk lines, the following:

> The traffic arrangements with other railroad or transportation companies herein referred to are understood to be:
> 1. The establishment of joint tariffs and the division of through rates or fares upon traffic passing from or coming to the roads of the companies parties thereto.

The eighth article says:

> If the maintenance of uniform tariffs by all lines reduces the traffic of any party hereto below a fair proportion of the traffic in competition, the tariffs may be so adjusted from time to time as to protect such line from an unjust depletion of traffic; such adjustment to be made under the rules of this association.

I see what the purpose of these gentlemen is, and possibly it may be the means of accomplishing the result in view, but it seems to me to be a strange policy if we should make solvent roads sustain roads that are insolvent, or would be insolvent if the stronger roads did not sustain them.

Mr. HILL. The trouble is, we must take one plan or the other. If we permit the promiscuous building of railroads, then you are going to have a lot of these weak and poorly-built concerns going down every year and the public will have to pay for them. If a man's leg is broken or his shoulder dislocated and a jury brings in a verdict for $25,000 damages the public will have to pay that. It is part of the expense of operating the road, and if there are more miles of train service furnished than is necessary, better service and everything of the kind in every branch of the railway service at prices lower than they cost, depend upon it, the people who are shipping their great tons over the roads have to pay it. The compensation has to come from some place, and a portion of the business must pay more than its share or else the road will go down.

If you permit the indiscriminate construction of roads you will have this condition of things. If you say that we will establish the interstate commerce law and enforce it rigidly as against everybody—I favor the interstate commerce law strongly—but in order to be consistent you should also regulate the construction of roads, and if you regulate the construction of roads you can simply say, "You may have that territory and occupy it at your own risk, but you can not get more than a given income per annum. You must keep your books of account honestly, fairly, and intelligently, and you can not receive more than a rea-

sonable return on your capital." When you do this it will be the best way in the world to secure lower rates.

The CHAIRMAN. You are aware, I suppose, that in this country the charters obtained by the railroads are given by the States, and the National Government has nothing to do with the matter.

Mr. HILL. Yes, and that is one of the difficulties. The interstate commerce law, which I consider has been wisely administered and possibly administered with more moderation in order to get the people fairly to understand it than was necessary, though I think that all the roads feel that it has been intelligently and well administered, could be better administered if the conditions were more favorable. The trouble is that the theory of the interstate commerce law is one that would work better with the condition of things where the construction of railways was also controlled by some intelligent law, and the mere authority of the States to grant these charters in some way controlled. But if the railroads are to go on and be milled out as fast as people are found willing for a large commission on bonds to get out an attractive prospectus and sell bonds, then good intelligently located roads may become useless by this overconstruction.

The CHAIRMAN. I understand you to say that you favor the authority of the law to allow the railroads to make contracts with each other subject to the supervision of the Interstate Commerce Commission.

Mr. HILL. Yes, sir; but it ought to be under the law.

The CHAIRMAN. What effect would that have on the rates of transportation of freight from our country? You live in Minnesota and I live in Illinois; now will it increase or lessen the cost of transporting our grain and products of all kinds to the East?

RATES CONTROLLED BY WATER COMPETITION.

Mr. HILL. I think that the rate of transportation from our agricultural country in the West to the East is controlled by the carriage of the lakes.

The CHAIRMAN. But how is it when the lakes are frozen up?

Mr. HILL. They still control it. You remember, as I do, when Peoria was a larger city than Chicago and when Galena had more wholesale business than Chicago, but at this time nothing but the low rates by the deep-water ships coming to Chicago make the rates. They absolutely control the rates out of Chicago, no matter whether the Lake Shore, or Michigan Central, or Fort Wayne can afford to do the business over their entire lines at the through rate or not. If they can not, their local patrons would have to make good the difference and the people of Chicago get their business done relatively for less than the merchants in Peoria or Galena, and this has resulted in establishing Chicago in a position that I think must be permanent.

Senator BLAIR. Is this the idea, that she has the same water tonnage and the same railroad tonnage?

Mr. HILL. The water tonnage being the cheapest controls the rate. Ten years of my experience was on the Mississippi River. I do not want shallow water confounded with deep water. The Government appropriates vast amounts of money yearly. I have boats on a certain river, and I will sell all the boats for the annual appropriation for that river. Between St. Paul and Keokuk the annual appropriations are equal to the value of all the boats running between those points, and I think if the money spent on improving the Mississippi River were spent in a good levee—

Senator BLAIR. You refer now to the Upper Mississippi, do you not?

Mr. HILL. Take the Lower Mississippi too. As I was saying, if they built a good levee and put a double track upon it from opposite Cairo to New Orleans, on that very low-water level grade they could haul freight for less than they can float it down and tow the boat back.

The CHAIRMAN. Put it on the Cairo side of the river and it will be in my State. [Laughter.]

Mr. HILL. With respect to the question of rates in our western country, I think they are established by the Lakes. I know that at present we are carrying on our boats wheat from Duluth to Buffalo for 2¾ cents a bushel, and Nebraska corn for 2½ cents a bushel, and the distance is about 1,100 miles.

The CHAIRMAN. On what route is this?

Mr. HILL. From the head of Lake Superior down to Buffalo. We carry it on a freight line of steamers.

The CHAIRMAN. You are discouraging the Mississippi River, but appreciating very highly the lake.

Mr. HILL. Our Mississippi boats, that cost $200 a day to run them, carry say 300 tons.

The CHAIRMAN. Do you not think the river is an important factor as well as the Lakes in fixing the railroad rates?

Mr. HILL. I think the actual figures will show that wherever a railway runs along the shore of the Mississippi River the railway carries a majority of the freight, and at lower rates than it can be carried on the river.

The CHAIRMAN. Still, if you were to take the river away, the railroad would very quickly put up the freight rate.

Mr. HILL. I think you would find in most cases that the railroads on the other side of the river would keep them down.

Senator BLAIR. What does it cost to run such a freight ship as you speak of?

Mr. HILL. A ship that will carry 3,000 tons will cost $150 a day, and will make 12 miles an hour, while the other, carrying 300 tons, would make 8 or 9 miles an hour and cost $200 a day.

Senator BLAIR. That is the comparison between shallow water navigation and deep water navigation, and the Mississippi River navigation you class as shallow water navigation?

Mr. HILL. Yes, sir. For the purposes of carrying logs and things of that kind which can be tumbled into the river and be floated down by the current it is very useful, but for the general uses of commerce I think not.

Senator BLAIR. Well, take it from New Orleans to the gulf?

Mr. HILL. The water is much deeper there.

Senator BLAIR. How does the cost of navigation from New Orleans to the Gulf compare with the cost of transportation by railway?

Mr. HILL. I would like to see a railroad on the bank of the river from Cairo to the Gulf, with a maximum of 15 feet grade to the mile. A mogul locomotive would haul 1,200 tons of paying freight and that would be handled by a single locomotive and five men. It would be a large ship-load. It is true that the right of way would not cost anything on the river, or the maintenance of harbors, docks, and so on; the Government does that for marine transportation; but the railway, I think, as far as the expense is concerned, could move it from Cairo to New Orleans for less than the river transportation, but there is the interest on the investment in the one case, while there is no great interest as to the river transportation. The Government invests money in the river in the shape of appropriations, and charges no interest account against the public.

Senator BLAIR. That comes out of the country however.

Mr. HILL. Yes, sir.

Senator REAGAN. I knew a gentleman who advocated the establishment of a freight road between Chicago and New York, double tracked, to be run at the rate of 12 miles an hour, and he made a calculation that showed that they could carry freight nearly as low as by water; but he did not go as far as you have gone to-day and say that they could carry as low as by water transportation.

Mr. HILL. I think where you have a current to contend with you can do so. It is like going up hill on a railroad. Where you have a current it makes it cost a good deal to overcome it, and the high pressure engines that are used on the Mississippi River steam-boats and found to be the best are a very expensive form of power. The low pressure engine, or using the steam three times, starting with high pressure and ending with low pressure on the lakes is a very economical way of using power.

Senator BLAIR. Recurring to the suggestion that it would be better to let the roads die which do not pay, I wish to ask you this: Take the Erie road for instance. How will this thing work in actual experience? The Erie road, which is supported only by these differential rates, comes within the suggestion made by Senator Reagan. Now, I suppose there are a million people living along the line of that road, and——

Senator REAGAN. I would not suggest the Erie, because there is plenty of way-business along that road to keep it alive.

Senator BLAIR. The officers of that road said that they would be ruined unless they had this differential rate. They said that this differential rate is the only thing that enables them to do the through business, and therefore they look upon the through business as an advantage. The suggestion now is that they be confined wholly to their local business, because if they would be ruined with their through business unless they had this differential they would, of course, be ruined without the through business. I ask, is it for the public good to extinguish the Erie road from the commerce and capital of the United States?

Mr. HILL. Far from it; and I think if it costs 3 cents a ton a mile to the local patrons of the Erie road in order to pay the bills, it is better for them to reduce the rates that the local people pay by doing the through business at any rate that will pay some profit and let that profit go to reduce the local rate. I think it demonstrates that it is better for the Erie road to be allowed to move business at $\frac{75}{100}$ cent a ton a mile if it will pay a profit of .15 cent out of that .75, and the local people will get the advantage of the .15 cent.

And then again take the enormous tonnage coming from the west to the Erie road and to all these trunk lines. They could not give anything like the service, or quality of the service, or the amount of service they now give if they depended on their local traffic. This large accumulation of tonnage is brought in like little streams forming the larger ones and making the great river. They furnish the business, and it is done at the lowest rate, and I think it ought to be done at the lowest rate, and I think it is for the good of the local patrons of that railroad, bearing in mind the fact that a certain amount of money is to be contributed in order to pay the bills of that railroad, in order to keep that road running during the year. The traffic men have the question to meet, "how shall we adjust our tariff to raise so many dollars?" exactly as you would in assessing a township. They know how much they have to raise. They know what proportion of their gross earnings has to go for expenses, and what balance will be net, and they know about where to place their rates.

Now the burden has to be distributed on all the different shoulders. I think it is easily demonstrated that the burden lies on the shoulders of the local man. But if you can bring all the tons from the west and only put upon it what it can bear, or just enough to enable it to go by rail over the Erie road, rather than to have it take the slower canal route, it makes the local burden less, to the extent of the profit the Erie gets from the heavy tonnage that comes from the west.

STATEMENT OF ERASTUS WIMAN.

Mr. ERASTUS WIMAN appeared.

The CHAIRMAN. You know, Mr. Wiman, enough about our mission here and the work that is before this committee, to say what you have to state without any examination on our part.

Mr. WIMAN. I suppose I might be permitted, Mr. Chairman, to answer the question, what the effect upon the whole country has been of the construction of the Canadian railways? May I be permitted to answer that?

The CHAIRMAN. Yes. What do you mean by the "whole country?"

WHAT THE CANADIAN ROADS HAVE DONE.

Mr. WIMAN. I mean the whole continent—the United States as well as Canada. This is what I would say, that there has been no contribution to the Western States quite so advantageous as the construction of the Canadian railways. Next to the construction of the American railways and the provisions of nature in the water-ways which Mr. Hill has spoken of just now, these Canadian railroads have proved the most beneficial. I think the Canadian railways have contributed more to the facilities for the handling of products going east and the merchandise going west, at rates lower than ever before dreamed of, than any other enterprises that have been inaugurated in this country. First, there is the directness of route, and second the business has been done at rates so low that they never paid anything on the capital invested.

The CHAIRMAN. You speak of both lines?

Mr. WIMAN. There is no road in Canada that has paid anything on the stock invested except the Canadian Pacific paying from money provided for dividends.

The CHAIRMAN. The Canadian Pacific has never paid much on the original construction, has it?

Mr. WIMAN. No.

The CHAIRMAN. If you are acquainted with the facts will you give us exactly what the Dominion of Canada has done towards the construction and maintenance of that road?

Mr. WIMAN. I think the Dominion gave to the Canadian Pacific about $100,000,000.

The CHAIRMAN. Has it not given more than that by one means and another?

Mr. WIMAN. I do not think so. I think they gave them 25,000,000 acres of land, $25,000,000 of money, a railroad from Port Arthur to Winnipeg and from St. Vincent to Winnipeg, and another road from Vancouver to the Rocky Mountains; altogether, about $100,000,000.

The CHAIRMAN. My information is, and it is reliable, that by cash subsidy, land grants, and guarantee of credit, the Canadian Pacific has received about $220,000,000.

Mr. WIMAN. You include in this the guarantee of credit on which they borrowed money, and on which they have to pay interest.

The CHAIRMAN. What does that amount to?

Mr. WIMAN. It begets them use of money at a very low rate of interest.

The CHAIRMAN. How much of a guarantee of credit has been given by the government?

Mr. WIMAN. I am not accurately informed on that point.

The CHAIRMAN. Does this one hundred million embrace any of that?

Mr. WIMAN. No, sir; this one hundred million is an out and out gift, and a gift that was absolutely essential to the construction of the road. No person would have undertaken to construct that railroad as they have done along the rocky shore of Lake Superior, where it cost at the rate of one hundred thousand dollars a mile, or through the sterile country between Port Arthur and Winnipeg, where there could not possibly be any traffic, without this governmental aid. They also had to build an expensive line through the Rocky Mountains, and they never could have done all this unless they got some compensation.

The CHAIRMAN. Now go on with your general statement.

THE BONDING PRIVILEGE.

Mr. WIMAN. You might want to know what my opinion was as to the consequences that would have occurred had there not been a bonding privilege. I do not think these roads would have been constructed at all.

The CHAIRMAN. Neither one of them?

Mr. WIMAN. Neither one of them.

The CHAIRMAN. The Grand Trunk has not been assisted very much by the Government, has it?

Mr. WIMAN. No, sir; it has not had any assistance of late years that I know of. The Grand Trunk spent large sums of English capital for which it has brought meager return.

The CHAIRMAN. That was individual capital?

Mr. WIMAN. Yes, sir, individual capital. Of course, if the bonding privilege were repealed now it would be fatal for the roads, although I think the Canadian Pacific would build a line and get around Maine to St. John. I believe they are building in that direction now, and when that link is completed they will have a Canadian through line from ocean to ocean and be somewhat independent. As far as the Grand Trunk is concerned, if it should be shut up by the repeal of the bonding privilege one of the best avenues afforded to the West for the outlet of its products will be closed. And so with regard to the Canadian Pacific. If the new lines that are constructed from Sault Ste. Marie to Duluth and also to Minneapolis were to be rendered valueless by the abolition of the bonding system, not only the system of the Canadian Pacific but the whole northwestern railway system that has an outlet in the direction of Duluth and hence to Boston and the New England States would be paralyzed, to the great injury of the West and the East also.

You might ask me what portion of Canadian capital is invested in Canadian railways. I do not think that 10 per cent. of the capital invested in Canadian railways is Canadian capital. Fully 90 per cent. of it is English money.

The CHAIRMAN. I understand you to say that neither of these roads has paid a cent of dividend since they were built?

Mr. WIMAN. They have not earned it. The Canadian Pacific paid

something out of some money put up with the Government as a guarantee, but that is nearly exhausted now.

WHY THE CANADIAN ROADS WERE BUILT.

The CHAIRMAN. Is it their programme to run on indefinitely without paying dividends by actual earnings?

Mr. WIMAN. I think they were projected to make money on the capital invested out of their land grants, its development, and also adding Asiatic traffic. Of course it is a dream of English public men to have an alternate route to their vast possessions in the East in order that they will not be compelled to go through foreign countries in case of trouble. In case of war there would be a serious interruption of their commerce, and it is a subject of self-congratulation to the British statesmen to feel that possibly they will have communication entirely through British territory with their eastern possessions without being exposed to the danagers of Asiatic or European complications, and hence the English Government has encouraged very much the building and completion of this route.

The CHAIRMAN. This Canadian route, so far as its construction was concerned, was largely political, was it not?

Mr. WIMAN. In a broad sense it was good policy.

The CHAIRMAN. Was it not built for the purpose of binding the different provinces together as a political union?

Mr. WIMAN. Yes, sir; it was in pursuance of a national policy to build up a great nation on the north of this country. The Hudson's Bay territory alone contained two millions of square miles of territory, inaccessible so far as England and Canada were concerned, and this large area would have remained inaccessible had it not been for the construction of this road. Here was a fertile country that could only be opened up by the construction of such a road. As I said before these Canadian roads are very valuable to your western country as well as to Canada, particularly to the great Northwest, of Minnesota, Montana, etc. Equally so was it essential to Manitoba and the vast Canadian northwest territory. Any injury to these Canadian roads would be an injury inflicted on the rapid development of the whole western portion of this continent.

The CHAIRMAN. You think, therefore, that there should be nothing done by the United States to interfere with those Canadian roads?

Mr. WIMAN. I think that an arrangement should be reached between the two governments. It is a very hard case that the American roads should be exposed to the competition of the Canadian roads while the American roads have restricted regulations to which the Canadian roads are not subject.

The CHAIRMAN. Have you or have you not thought about the question whether we ought not to require the Canadian Government to put their roads under the same sort of regulation as our roads?

Mr. WIMAN. If the two governments are willing to make an arrangement by which all such questions could be adjusted, I have not the slightest doubt it would be the very best policy to pursue. For instance, if the plan which I have urged upon some Senators for an arrangement by which the custom-houses between the two countries could be entirely removed, I think it would be very advantageous, and could include all such questions as this, of the regulation of transportation.

COMMERCIAL UNION.

The CHAIRMAN. You are in favor of commercial union, are you not Mr. Wiman?

Mr. WIMAN. Yes, sir. One of the conditions of commercial union, of course, would be to agree that precisely the same regulations should prevail in Canada regarding railroads as prevail under the interstate commerce law in this country, and that any violation of it in the slightest degree would result in the imposition of duties on the articles carried.

You might ask me, if you choose, what would be the political effect in Canada of the repeal of the bonded privilege?

The CHAIRMAN. You may answer that.

Mr. WIMAN. I think the political effect in Canada of the repeal of the bonding privilege would be to lessen the desire of the Canadian people to have business relations with this country. It would be looked upon as a retaliatory process, and as they have never yielded to that kind of treatment heretofore it is not likely that they would submit on this occasion.

If you recollect, the reciprocity treaty ran from 1854 to 1865, and there was an idea in the United States that if it was repealed Canada would come into the Union; but such was not the effect. The effect was precisely the opposite. A condition of stubbornness and ultra-loyalty developed which resulted in the creation of the national policy and in the building of the Canadian Pacific road. The Canadians were seeking an outlet and development of their own, and they conceived the construction of this railroad among other things. The Canadians are a very loyal and a very peculiar people in regard to such matters. The tendency or the disposition toward an annexation movement was much stronger in 1849 than it has ever been since that time. There is to-day some growth of annexation sentiment in Canada, more or less pronounced, and possibly it may continue to grow, but it is a secret growth, and no man who understands the people there but realizes that it would take twenty-five years to elect a Parliament favorable to annexation or to give force and effect to any such movement.

The CHAIRMAN. Do you mean that it would require twenty-five years hence to accomplish such a result?

Mr. WIMAN. Yes, twenty-five years. It would take five Parliaments of five years apart to give force and effect to such a movement for union. It has got to be done by Parliament, as the only constitutional means, and such an event is at best remote, if not impossible, while the people are so wide apart.

The CHAIRMAN. I think you will find many instances in the world's history of public sentiment changing suddenly.

Mr. WIMAN. If the custom-houses were entirely abolished there would be freer intercourse. If a uniform tariff, regulated at Washington, extended around the continent instead of athwart it, and if the manufacturers of the United States could have free access to that vast region to the north much would be done toward changing the sentiment. If the emigration that is pouring in here and beginning to trouble you so much should go in the direction of these new regions and become your customer, and the United States be enriched by the productive force of that region, the people would be brought into closer contact with each other, and the result which you speak of as to a change of sentiment might be attained. Of course it is presumable that the English Government is watching this question with great interest, and the day

may come when that Government may have to decide the question whether you will regulate at Washington the rate of duties on goods from one part of the British empire imported into another part of the British Empire. Suppose you were to make an offer to Canada of commercial union, and suppose at the general election two years hence a Parliament were returned favorable to the offer, as it will be if you make the offer, and a law would be passed to abolish the custom-houses between the two countries, it would make the United States tariff continental in extent of application. It would make trade with you as freely as Illinois trades with Indiana or between any two or any dozen States in the Union. The English Government is asked to assent to discrimination against English goods in favor of American goods. If the English Government refused it would be a serious matter with respect to the tie that binds the Dominion to Great Britain. It is a matter that concerns but 500,000 manufacturers in England on the one hand and 5,000,000 people in Canada on the other.

Senator BLAIR. Suppose this large fertile area that has been referred to were opened up to settlement and it had access to the markets of the world, what then?

Mr. WIMAN. It would be a second Oklahoma. There is a great deal of rich country up there. They have American ideas and are a thrifty people, and if the country were settled up they would not be content to remain in the condition they are now, but might become a republic in twenty-five years. Even Quebec alone is richer than Texas, if the Senators only knew the facts.

Senator REAGAN. That is saying a good deal for it.

Mr. WIMAN. In fifty years under commercial union and enlarged development there might be a great republic, and with the same relative progress it might become as great as this. That would solve the problems that now press for solution, and form a union between the English-speaking races on this continent. That would be worth talking about. There is no question of the extent and value of the country to the north, and when it has markets for its products it will grow just as rapidly as the country to the south has grown, but that can never be in the present condition of things.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. We look at the matter as it now is, and we find these Canadian roads tapping the business of the roads of the United States all along the line, and thereby weakening more or less the American railroads; ought we to allow that to go on just as it is?

Mr. WIMAN. Doubtless there ought to be some regulation between them. I have no doubt that either this (the present Canadian) government or the one to succeed it in two years, or perhaps the railroads themselves, will soon take steps in the direction of arriving at some mutual arrangement by which American roads may not be at a disadvantage as to regulations.

The CHAIRMAN. Is there anything wrong in the Government of the United States demanding that if these Canadian roads do business in the United States they shall do it on a basis that would not be to the disadvantage of the American roads; that they shall do this business under the same laws and regulation as our own railroads do?

Mr. WIMAN. You can obtain all the concessions needed in the shape of regulation by threatening to abolish the bonding system. The Canadian Government has set you an example. They have refused you privileges for bonding fish from Halifax. There is no reason why they

should not be treated in the same manner if the regulations you seek are not adhered to. They took off the head of the collector at Halifax the other day for having permitted one catch of fish to be sent in this direction. Of course it is an inestimable privilege to Canada to have a bonding privilege through this country. It seems to me that in common equity there should be reciprocity by Canada as between all nations, and that transportation should be put on the same footing. I think the railroads themselves will be disposed to do all that can be done. The Grand Trunk, so far as I know, are anxious to conform in every way to this interstate arrangement.

The CHAIRMAN. Why is it that these roads—take the Grand Trunk for instance—are failing to pay the dividends, when they seem to be getting more than their full share of the through business between the East and the West in comparison with the other trunk-lines?

Mr. WIMAN. I think one cause is the excessive cost of construction in localities that do not afford sufficient business. They run lines in various sections that do not pay them for so doing. Perhaps their rates are too low. The competition between the Canadian Pacific and the Grand Trunk at some points for local business is excessive. There is only a certain amount of business to be done, and it has to be divided between the two, and neither can make money.

The CHAIRMAN. The general manager of the Grand Trunk testified before us that his road observed the interstate-commerce act thoroughly in all business in any way connected with the United States.

Mr. WIMAN. Well, I have no doubt they try to. Mr. Hickson is a man of great policy and probity, and will do as he says for fear of the consequences, even if he does not follow the plan from principle.

The CHAIRMAN. This Canadian Pacific has, as we understand it, been built largely by the government. It has a subsidized line of steamships on the Pacific coast, and the government is now establishing a line of subsidized steamers from St. John to Halifax to connect with the Canadian Pacific at that end. The result of that will be, will it not, to take away from Portland, and Boston, and possibly New York, very much of the foreign trade.

Mr. WIMAN. I think it will create a great trade peculiar to itself. It may divert some from the western routes, but it will develop and create more perhaps than it will take away from these other places. Of course the subsidized line on the Pacific coast is a necessity. It is impossible to run ships there without a subsidy. The lines from San Francisco to Sidney are subsidized and it is impossible to have them run such distances without the subsidy.

The CHAIRMAN. Do you mean the Canadian lines?

Mr. WIMAN. No, sir; they are Australian lines. The American Government and the Australian Government pay them a certain rate for the carriage of the mails. There are four ships running between San Francisco and Sidney.

The CHAIRMAN. What is the subsidy given the line running in connection with the Canadian Pacific on the Pacific coast?

Mr. WIMAN. I think it is $1,500,000 a year.

The CHAIRMAN. Do you know what the subsidy is on the Eastern line?

Mr. WIMAN. I do not know.

The CHAIRMAN. The substance of your view is, then, as the situation is at present, it is not favorable to the United States and ought not to be allowed to continue.

Mr. WIMAN. If to-morrow the Canadian roads were to be stopped

from carrying products it would be the most serious blow for the western States. If, however, you want to enforce the regulations of the interstate-commerce act and give fair play to the American roads, there ought to be some arrangement made between the two Governments.

The CHAIRMAN. You think that if we stop the Canadian roads it would be a serious thing for the commerce of the West.

Mr. WIMAN. There could not be anything more serious.

The CHAIRMAN. I mean, to put them under the same regulations as the American roads are required to comply with.

Mr. WIMAN. I think it would be a good thing.

Senator GORMAN. Why would it not be better if we closed them up entirely?

Mr. WIMAN. Because the facilities afforded by the Canadian roads have done more, as I have said, to develop the West than anything else. These roads have paid nothing to the investors, while at the same time they have afforded enormous advantages to the West. The Vanderbilt line, known as the Canada Southern, the old Great Western line, and the Grand Trunk are three great avenues running as straight as a crow flies across the Canadian peninsula from New York to Michigan. The Canada Southern is the best line toward the West. It is perfectly straight, and can carry more stuff to the train than any other line. It has low grades and comparatively no curves at all. Then there is the Grand Trunk running down from Sarnia to Toronto, Montreal, and Boston. Then there is a northern route that formerly carried enormous amounts of grain from Georgian Bay to Toronto and then reshipped it across the lake into the canals. Then there was a route from Georgian Bay, by Port Hope, to Rochester; then the Grand Trunk line from Port Huron to Ogdensburgh, taking the river from there and crossing and joining the Vermont Central system and other roads to New England. Besides this the Canada Pacific will soon be at Detroit, and add still another link to the "Great Soo" route as an outlet for American produce. So that it would be impossible to have a more complete system or means of communication between the extreme East and West than these two great roads afford. The development of this Soo route has cost millions of dollars of American capital, which would be completely lost if you adopted extreme measures.

Senator GORMAN. Who controls that route now?

Mr. WIMAN. I believe the Canadian Pacific partly controls it. Originally Mr. Washburn and other gentlemen put up the money and found it doubtless a heavy load until they were joined by the Canadian Pacific party. You might say the English people control the Illinois Central; they do. If the farmer of the West wants cheap freight rates he avails himself of this Soo route.

Senator BLAIR. Would conformity to the interstate-commerce act in Canada afford my relief to American railroads? Would not the conditions of competition between them, even if the interstate commerce act were observed in both countries, be such that the Canadian routes must have the advantage?

Mr. WIMAN. That is the result of geographical conditions that can not be changed.

Senator BLAIR. I do not see that this relief that is suggested, namely, full compliance with the interstate-commerce act on the part of the Canadian roads, is going to help us in America.

Mr. WIMAN. You must take the consequences of the geographical situation. If you want to make the products and the merchandise of the West take the longest routes, and make the consumers pay for the

longer haul East, and the longer haul West, then the Canadian routes should be obliterated. If, on the other hand, you want to give the best means of communication between the East and the West it would be well for you to avail yourselves of the shortest route provided by English capital for the benefit of the West and the East, while the capital has paid nothing so far to the investor.

Senator BLAIR. It seems to me it is to the commercial advantage of the people of the United States to have these Canadian railroads developed, because they do our business cheaper than our own roads.

Mr. WIMAN. Yes, sir.

Senator BLAIR. Do you think that if the interstate commerce act were observed in Canada the Canadian roads would continue to do the business cheaper than we can?

Mr. WIMAN. Yes; most certainly.

Senator BLAIR. Then the question is, is it for the interest of the American people to pursue such a policy as will build up an independent nation north of us?

Mr. WIMAN. Yes, sir.

Senator BLAIR. I would like to hear you on that question.

AN INDEPENDENT NATION NORTH OF UNITED STATES.

Mr. WIMAN. I think there is no outside asset which this country can possess that has the value that this northern Dominion and its trade and products can give to it. There is not the slightest difference in the wants of the two countries; we make what they want; we consume what they produce. It does not make any difference on the score of a political division, so far as politics are concerned, whether you have a great nation built up on your northern border or not, if you have the trade and transportation that grows out of its development that is all business men and railways require.

Senator BLAIR. Do you not lose sight of the other side of the question? There is a question that arises out of the matter of traffic, as the perpetuity of our nation arose out of the question of slavery. The question then was whether the Union should be preserved, and we had to fight it out. Now the question is would it be good policy on our part to develop a great nation north of us, with at least alien connections? I do not care a snap for this matter of dollars and cents.

Mr. WIMAN. My theory is that the continent is an economic whole. The two countries are united geographically together just as New York and Pennsylvania are, so far as the possibilities of commerce are concerned. I [illegible] perfectly well that the future enormous traffic of the [illegible] alley, capable of sustaining 30,000,000 of people, can [illegible] via the Lakes under a commercial union, be handled by American lines of railway and shipping and to American profit. I know the maritime provinces possess iron, coal, and chemically pure limestone side by side, and New England wants cheap coal and iron more than any other thing, because New England cannot compete with the West supplied with cheap iron from Alabama. On the other side of the continent coal is sold in San Francisco to-day at $12 and $14 a ton, paying 75 cents a [illegible] difference on the supplies brought in from British Columbia, the [illegible] ural base of supply. Then you have lumber and fish in unlimited supplies that could be brought into San Francisco cheaply from the northern part of the Pacific coast, 3,000 miles in length, all in Canadian territory. This country could be enormously benefited by the products coming in from these regions on one hand and on the other hand the manufacturers and merchants and shippers of this country enlarging their markets just to the extent of the development they afforded to Canada. There is no denying that the breaking down

of the barriers between the two countries will be equally advantageous to both. As to building up a great nation on the north of the United States you must take the chances. Canada is much more likely to become a great nation if independent of English rule than under existing colonial conditions. In my opinion the people there do not care to join this Republic; if independent they would prefer to become an independent republic. The tie that binds Canada to England is strong, but it is not a natural tie; it is a tie of sentiment. England does not contribute a dollar to the support of Canada, nor does Canada contribute a dollar to the imperial revenue.

Senator BLAIR. You are an Englishman, I believe?

Mr. WIMAN. I am a Canadian and a British subject. Canada has the same tariff against English goods as she has against goods from the United States. If you will say the word in the Senate she will within five years so regulate her tariff that your goods can come in free from the United States and she will exact a duty against English goods. I do not think you could ask her to take a step more marked than this. Yet if the repeal of this bonding privilege should be enforced the people of Canada would feel that it would be the pressure of retaliation that would not win her trade and a closer relation as readily as a mutuality of interest created by the obliteration of the customs barrier between them and you.

Senator BLAIR. Is Canada of any special importance to Great Britain, except that she affords a transcontinental route between the East and England?

Mr. WIMAN. The State of New York to-day in a certain sense is of greater importance to England than Canada. New York is affording customers and means of communication and place of resort for English and Irish people far greater than Canada.

DEFENSES ON PACIFIC COAST.

Senator BLAIR. What about the defenses erected on the Pacific coast by Great Britain?

Mr. WIMAN. These defenses at Vancouver are erected with the idea of checking Russia. They think that a war with Russia might induce them to attack in the direction of British Columbia. I do not think that England is afraid of attack in that quarter from America. This preparation as against Russia is a policy they have always pursued against their European enemies, and in the expenditure now being made by British army authorities they are guarding against their European enemies rather than against American enemies.

Senator BLAIR. We have a line in the direction of Alaska which is to be intercepted it seems by a very formidable fortification right in the center of it. It will be very easy to strike there at American commerce pursuing its way east. It seems now that we will all make more money in the end, and Canada is as interested to get rich as we are, and as we live on the same continent, would it not be just as well to think of accommodating ourselves to each other as to other parts of the world?

Mr. WIMAN. If it can possibly be done by a union of interests commercially.

Senator BLAIR. You think that must precede any change of political relations?

Mr. WIMAN. I think it must. I think a retaliatory policy would postpone it indefinitely.

Senator BLAIR. I would not suggest that.

Mr. WIMAN. I refer to this repeal of the bonding privilege.

Senator BLAIR. I would not favor that.

Mr. WIMAN. There is a great agitation just now as to the progress

of the Jesuits in Canada which may have an important effect on politics, and especially at the next election. There is one man upon whose existence depends the proper outcome of the policy as to relations with this country, and that is Sir John MacDonald. His views as to continued discrimination on the canals, the harsh interpretation of the fishery question, and the denial of the bonding privilege on fish, all indicate his belief in a vigorous policy against closer relations with the United States.

Senator BLAIR. Well, let them keep their fish.

Mr. WIMAN. I think they are doing themselves a great injustice.

Senator BLAIR. We can get our ships down by way of the Atlantic Ocean, and it seems to me that there is not much to settle on that score.

Mr. WIMAN. In the mean time it is plain that there must be an adjustment of these pending and threatening difficulties. I might say in behalf of parties who have taken up in candor the advocacy of unrestricted reciprocity, that if an agreement could be reached upon the main question as to the tariff between the two countries there would be no difficulty in having such an enforcement of the interstate commerce regulations in Canada as will satisfy you.

Senator BLAIR. Will they give us some guarantee that this power north of us will be our ally as against any foreign power?

Mr. WIMAN. I can not say as to that.

The CHAIRMAN. It would seem from the movements of the Canadian people that their purpose is to put that country, by their railroad facilities, into such a condition as to trade with each other and depend upon themselves entirely in contradistinction to depending upon the United States in any way.

Mr. WIMAN. I think they have tried to do that, but the physical and climatic difficulties are so great that only partial success has been achieved. You can not haul produce and merchandise from Montreal to Winnipeg, and *vice versa*, to any advantage, because the haul is too great and the expense is too great. They could not sell agricultural implements in the Northwest as cheaply as they can be sent up from Minnesota. Nor can they haul coal as cheaply from Nova Scotia as they will get it from Pennsylvania by way of the Lakes.

The CHAIRMAN. So you think they could not get along as prosperously as they do without the advantages they secure by trading with the United States?

Mr. WIMAN. They have five million of people, and they absorb about $50,000,000 worth of United States goods. The southern republics have sixty million of people and only buy $60,000,000 worth of goods. So that every Canadian is worth to the United States ten times as much as any inhabitant of South America.

The CHAIRMAN. What do we buy of Canada?

Mr. WIMAN. About the same, and we levy $5,500,000 of tax on the produce which they send us, and they pay the duty; that is, they pay the tax into the United States Treasury for the privilege of trading with us. They bring in a horse and have to pay $20 to $50 for bringing him in, and get no more for it than the American, who is just so much better off.

The CHAIRMAN. What is the character of the goods purchased by the people of the United States from Canada?

Mr. WIMAN. Almost altogether natural products of the forest, and the farm, and the sea in the shape of fish food, and the products of mines.

The CHAIRMAN. And what is their trade with us?

Mr. WIMAN. Very largely manufactures. They are very heavy customers in many lines of manufactures, and they would buy four times as much if the country were developed and the duty obliterated.

The CHAIRMAN. Whatever they gained in people we would lose, would we not?

Mr. WIMAN. Not necessarily. There would be a large English emigration into Canada if it could be more fully developed and a greater prospect opened up for it. I think it would stimulate emigration from all parts of Europe to a greater extent, and thus create an enlarged market for American manufactures if the obstacles set up by the customs line were removed. You would get all of those as customers. You are making boots and shoes for 100,000,000 of people and you have a population of only 60,000,000. Everything else is over-produced. There are 6,000 makers of thread in Newark; of these 2,000 are idle. Canada would be an open and growing market for over-production here.

JESUIT AGITATION.

Senator BLAIR. You spoke of an agitation in regard to the Jesuits. Did you speak of it with any reference to the relations between this country and Canada?

Mr. WIMAN. Yes.

Senator BLAIR. Please explain it.

Mr. WIMAN. The supposed encroachments of the Jesuits take the form of an act, passed in the Quebec legislature, and in a certain sense confirmed by the Dominion Parliament, or rather the disinclination of parliament to interfere with it has been shown. The subject is being agitated, and we fear that French domination is threatened. I spoke of this Jesuit agitation as an influence that might upset the existing control by the party in power, and so change matters that one more favorable to commercial union should come into possession of the government. The French Roman Catholics fear annexation, as they think it would lessen the power of the church and interfere with education. But the Jesuit question is equally balanced in its influence on the relations between the two countries. In a certain sense it is hurtful to a growth of annexation sentiment, and promotes the desire for commercial union, and on the other hand it promotes the growth of annexation sentiment in a way that is not hurtful to a commercial relation.

Senator BLAIR. Do you not think it better for the Catholic Church for all to be under one political sovereignty in this country?

Mr. WIMAN. The Catholics there do not think so.

Senator BLAIR. Some do.

Mr. WIMAN. The priests and ecclesiastical authorities of Lower Canada would look forward with apprehension to political union.

Senator BLAIR. A great many of the Catholics in this country desire it. A great many Catholics here of Canadian birth favor it.

Mr. WIMAN. There are a million of Canadians in the United States. They have had the utmost liberality of treatment, and naturally grow broad in their views when they come here, but those at home remain opposed to annexation. There is another element that is likely to grow in Canada in consequence of this Catholic agitation, and that is the Orangemen. It is a secret order formed for the purpose of resisting the encroachment of the Catholic Church. The Orangemen, however, will unite with the Catholic Church in one regard, and that is to prevent annexation. The principal oath they take is to support British supremacy, and there are a great many of them who would join the Catholics in a movement in opposition to annexation. The trade between the two countries in natural products, after the repeal of the reciprocity

treaty, dropped to one-half what it formerly was. There was not a farmer in Canada who was not helped by the reciprocity treaty, yet at its repeal there was not a whimper of disloyalty. The farmer would be an immense gainer by annexation, and yet if I should go there to-day and propose an annexation meeting I would be stoned out of almost any town, as well as I am known, and as respected as I am by a large majority of the people. If a commercial union could be accomplished it is the better way of solving the problem. The farmers, miners, and lumbermen would be onormously benefited, as well as the fishermen. The farmers, miners, lumbermen, and fishermen are three to one of any other class. They want commercial union, because they would get cheaper goods from the United States, and at the same time have a market for their product. Sugar in Canada, for instance, is dearer than anywhere else in the world, and the breaking down of the barrier will make that and many other things cheaper. Commercial union is regarded by some as a short cut to annexation; to others it indefinitely postpones it. If you have faith in the strength of the attractiveness of the institutions of this country you will establish commercial union with Canada and immediately get the benefits that flow therefrom, trusting to the future for a political union. If, on the contrary, this proves to be a government of the boss, and by the boss, and for the boss, you might not attract the Canadian ten years hence. The future you perhaps can afford to let take care of itself if you establish commercial union.

Senator GORMAN. I understood you to say that the repeal of the act of 1866, which permitted cars to pass to and from this country freely, with the goods sealed, would obstruct all this movement in the direction of opening and improving our trade between the two countries.

Mr. WIMAN. I say that the repeal of the bonding system would be a very serious matter, not only for Canada, but for the United States. Its repeal would indefinitely postpone closer relations.

Senator GORMAN. Is it, in your judgment, an unfair proposition to say to the Canadian people and the Canadian Government that "as we, the American Government, permit you to come to Chicago or any other port on the Lakes and take our grain and carry it over to your Canadian roads and then carry it through Canada, and back through Maine in this country, and out through Halifax or St. John, in consideration of that great privilege what we want of you is that you subject your roads to the same conditions and restrictions precisely as we impose on ours, and, in addition, that you will permit our American vessels to touch at Halifax without charge and take on products for delivery in the United States?" Now, would that be an unreasonable proposition?

Mr. WIMAN. It is a very reasonable proposition, in my view. I think there is no justification for the Canadian position in regard to fish. Looking at your proposition as a business man, I say it is an entirely reasonable proposition and one that ought to be accepted by Canada without hesitation.

Senator GORMAN. I thought you said that the mere repeal of the law would do much to decrease this good feeling between the two countries.

Mr. WIMAN. It would.

Senator GORMAN. Would it have that tendency if we stated the broad proposition that we would give them these privileges if they granted like privileges to us? How would that operate to decrease this good feeling?

Mr. WIMAN. I do not think it would. The railroads would be the

first to respond. It is reasonable to do so. They are not pirates. Mr. Hickson is not a pirate, and he is not one who would do anything that is not right. Policy, if not equity, would impel them to meet you.

The CHAIRMAN. All that could be brought about by the two Governments?

Mr. WIMAN. Yes, sir. I think if Sir Charles Tupper, who is a fair-minded man and who is in this country to-day, were brought in and asked to arbitrate with reference to this matter he would help toward such an adjustment.

Senator GORMAN. What proportion of the capital invested in the Canadian Pacific and the Grand Trunk is English capital, as distinguished from the Canadian investment?

Mr. WIMAN. Ninety per cent. or ninety-five per cent. is English capital. There is no Canadian money in Canadian roads worth naming. It is all English money.

Senator GORMAN. Were these subsidies paid by the English Government?

Mr. WIMAN. No, they were borrowed from England. The whole public debt of Canada is in England. There are about six hundred and fifty millions of English money in Canada.

Senator GORMAN. So that, as a fact, we are dealing with an English enterprise?

Mr. WIMAN. That is so.

At 5 o'clock and 20 minutes p. m. the committee adjourned until to-morrow at 10 o'clock a. m.

NEW YORK, *May* 9, 1889.

The committee met at 10 o'clock a. m. pursuant to adjournment.

Senator Barbour appeared and took his seat.

STATEMENT OF GEORGE B. ROBERTS.

Mr. GEORGE B. ROBERTS, president of the Pennsylvania Railroad, appeared.

The CHAIRMAN. Mr. Roberts, will you please state the business in which you are now engaged?

Mr. ROBERTS. I have been engaged as manager of railroads for the last thirty-eight years, and at present am president of the Pennsylvania Railroad.

The CHAIRMAN. Will you give the termini of your trunk line and its branches and connections?

Mr. ROBERTS. It commences in New York and extends to Chicago in the northwest, and to Cincinnati, Louisville, and St. Louis.

The CHAIRMAN. What do you call the trunk line?

Mr. ROBERTS. The trunk line is from New York to Pittsburgh.

The CHAIRMAN. And then you have connections to these several places mentioned?

Mr. ROBERTS. Yes, sir; what is known in our railway reports as the Pennsylvania railroad system is built up around the Pennsylvania Railroad charter, which was for a line from Philadelphia, or rather from Harrisburg to Pittsburgh. The other lines comprising the system are either leased, or the parent company owns a large interest in the capital.

The CHAIRMAN. So that the Pennsylvania Railroad absolutely controls all these other roads which you have mentioned?

Mr. ROBERTS. The Pennsylvania Railroad to a certain extent indicates their policy. We hardly admit that the Pennsylvania Railroad controls them in a legal view, as there are quite a number of lines in the Pennsylvania system which have absolute and independent organizations, and their officers, though officers in many instances of the Pennsylvania Railroad Company, are absolutely independent, so far as exercising their judgment as to what is best for the welfare of all the shareholders in the respective corporations is concerned. The Pennsylvania system is very careful to avoid any question of imposition upon the minority shareholding interest.

The CHAIRMAN. But they all operate together?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. The Pennsylvania line practically dictates the policy of the whole system, does it not?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. Have you any business relations with the Grand Trunk road of Canada?

Mr. ROBERTS. No, sir; we have no business relations, I believe, with the Grand Trunk. We have no railway connections with any of the lines in Canada. Our system reaches Lake Ontario at Sodus Point, in New York.

The CHAIRMAN. Is that on Lake Ontario?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. In the United States?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. So that practically you have no business relations with any Canadian roads?

Mr. ROBERTS. No, sir; we have not.

THE SITUATION AS TO THE CANADIAN ROADS.

The CHAIRMAN. You have seen the resolution under which this committee is operating and carrying on this investigation, and know the character and scope of it. What have you to say with reference to the situation existing as between the American roads and the Canadian roads?

Mr. ROBERTS. Since the National Government has undertaken to regulate by special enactments the methods of transportation upon the American lines of railway, I can not but feel that they have placed the American corporations at a disadvantage with the Canadian lines, which are not under such laws. These laws, in many instances, are quite restrictive, and do not permit the same freedom that has existed heretofore in the management of railroad properties.

The CHAIRMAN. Do you see that your road has in any degree suffered from the fact that the Grand Trunk operates in Chicago and from Chicago east?

Mr. ROBERTS. Not directly so, but we have felt with the other roads the effect of the Grand Trunk Railway being independent in its action of the rules or laws governing the railways of the United States. It is not necessary for me to state to you that the rates that are charged upon the various lines which are known generally as the trunk line system of the country must be nearly uniform. The rates are higher on some roads than they are on others, but any severe depression of rates on any one of the lines affects indirectly the revenues or rates of the others.

It must be quite apparent to you that the Grand Trunk, for instance, or the Canadian Pacific Railway, which draws its traffic largely from the States, does not come under any control of the laws of this country. The rates on that traffic, or its system of carriage, are not under such control, and while those corporations may observe the law, so far as their connecting lines in the States are concerned, the moment that the traffic leaves the States and passes into the foreign country it is without such restriction and they may treat it in any manner they see fit and proper. I do not claim that they are now operating their lines in Canada so as to seriously interfere with our rates, but they have done so in the past, and caused very serious complications with the roads in the United States.

The CHAIRMAN. When you say "in the past," how far in the past do you mean?

Mr. ROBERTS. I mean two or three years past.

The CHAIRMAN. You say that so far as you know they observe the interstate commerce act in all their transactions which take place in the United States or in any way connected with the United States roads?

Mr. ROBERTS. You misunderstood me. They may observe the interstate commerce act; I do not know whether they do or not.

The CHAIRMAN. It has been testified here by Mr. Hickson, for instance, that his road has scrupulously observed the interstate commerce act for the last two or three months, the publication of rates, and adhering to them, in all business going out of or coming into the United States.

Mr. ROBERTS. I understand he did.

The CHAIRMAN. So far, then, you do not realize that the Canadian roads are doing any particular damage to the roads in this country?

Mr. ROBERTS. No, sir; I do not know that they are now doing any serious injury to the railway interests of this country or to the country, but I submit that it is entirely within their power to do so. They have a very great advantage over the railways in the United States in their independence of our legal restrictions.

The CHAIRMAN. What is the length of your trunk line between New York and Chicago?

Mr. ROBERTS. I think it is about 910 miles to Chicago.

The CHAIRMAN. What is the length of the Grand Trunk road from Boston or Portland to Chicago; do you know? They have no road to New York.

Mr. ROBERTS. No, sir; I do not. They connect with the roads in the States so far as to form a new New York and Chicago line.

The CHAIRMAN. What is the length of the road so formed?

Mr. ROBERTS. I can not state exactly. I think it is about 100 miles longer than our line. I think our line is about 80 miles shorter than the New York Central, and the New York Central is materially shorter than the Grand Trunk.

The CHAIRMAN. Yours is the shortest line between New York and Chicago, is it not?

Mr. ROBERTS. I think it is. My impression is that our line is about 80 miles shorter than the New York Central road, and I should judge that the Grand Trunk line via Buffalo is materially longer than the New York Central road.

Senator GORMAN. You mean to Portland?

Mr. ROBERTS. No, from New York to Chicago, via Buffalo.

The CHAIRMAN. Is there any reason in the economies of things why

you can not compete with any other line in existence through Canada or in the United States in your business between Chicago and New York and New York and Chicago?

Mr. ROBERTS. No, sir; so far as the economy of moving traffic is concerned we feel that we ought to be able to compete with any route as between Chicago and New York, or Chicago and eastern points; but we would naturally feel that in the case of the Canadian roads, the roads in the States are working at a disadvantage, as some of the Canadian roads have been largely subsidized by the Canadian government.

ADVANTAGES POSSESSED BY THE CANADIAN LINES.

The CHAIRMAN. State all the advantages, if there are any, that the Canadian lines have over the American lines.

Mr. ROBERTS. I think they have been subsidized by the Canadian government to a very large extent. They are built purely, as I understand it, for the development of the country through which they run, and to advance the interests of a foreign nation, and the capital invested in our State roads thus finds itself competing with the credit of the Dominion of Canada. The Canadian roads may run their lines without any returns. I understood that it was stated yesterday that the Canadian roads had not paid anything on their investment. I presume that capital invested in railroad properties is entitled to some return as well as capital invested in any other business; and that money invested in our roads should be placed in direct competition with roads running through a foreign country which are subsidized by a foreign government is harsh if not absolutely unjust.

The CHAIRMAN. Do you know of any direct subsidy that the Grand Trunk has received?

Mr. ROBERTS. No, sir. The Canadian Pacific, which is now becoming a parallel line to the Grand Trunk, has been largely subsidized by the Canadian government, I believe.

The CHAIRMAN. Is there any other advantage that the Canadian Pacific and the Grand Trunk road, or either of them, have over American lines outside of the question of aid received from the Dominion government?

Mr. ROBERTS. I believe they have an incidental advantage in obtaining their supplies largely from the mother country free of duty. They have also a further advantage, which is that the capital that they draw from in England is generally obtained at a lower rate of interest than capital obtained for railway purposes in this country; so that we find in the management of our railroads, in their improvements, betterments etc., we are placed at a serious disadvantage.

The CHAIRMAN. Is there any difference in the cost of running a road in the United States and one in Canada on the score of labor or otherwise?

Mr. ROBERTS. I am not prepared to answer with certainty. I do not know whether the wages on the Canadian roads are higher than they are on the United States roads. They have some disadvantages on account of the severe climate; but at the same time there is quite a diversity of opinion among engineers as to whether it is more difficult to maintain a road in a cold climate than in a milder one.

The CHAIRMAN. It has been said here that latterly the Grand Trunk has been gaining largely in its proportion of traffic in comparison with the other trunk lines.

Senator GORMAN. That the Grand Trunk has been gaining largely in its proportion of dead freight in comparison with the other trunk lines.

The CHAIRMAN. Yes, of dead freight. Is that so, Mr. Roberts; and, if so, what is the explanation of it?

Mr. ROBERTS. I was not aware that it was so; but, as I stated before, the Canadian roads have every opportunity to do so. They are only regulated in their rates now from the fact of their being members of the Trunk Line Association, which is an association founded entirely upon the good faith of the parties to it, and it is held together only upon such faith, and what the parties conceive to be their direct interest. The railroads are not bound in any way by a money forfeit to keep their traffic agreements, as they were in the case of pool obligations.

THE TRUNK LINE ASSOCIATION.

The CHAIRMAN. The Grand Trunk is in this sort of combination which exists between the trunk lines, as one of the members of the association, is it not?

Mr. ROBERTS. As I am president of that association, I would rather not call it a "combination." It is an association for the purpose of managing rates. I believe its minutes are printed.

The CHAIRMAN. Is it not a sort of substitute for pooling intended to be within the purview of the interstate commerce act?

Mr. ROBERTS. It is an association which takes the place of the old pooling association, which was rendered illegal by the interstate commerce act.

The CHAIRMAN. This Grand Trunk road is in that association, is it not?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. Is the Canadian Pacific also a member of that association?

Mr. ROBERTS. The Canadian Pacific would not necessarily be a member of that association, as Pacific lines are not. The association covers local territory.

The CHAIRMAN. There has been a good deal of talk here about differentials between different roads in that association. What is the fact with reference to the Grand Trunk?

Mr. ROBERTS. The Grand Trunk line has generally claimed that they must charge a lower rate for transportation than what is charged upon the lines within the States, or at least some of the lines within the States, or they would not be able to secure the carrying of any traffic from points in the States.

The CHAIRMAN. What reasons are assigned for granting differentials to the Grand Trunk?

Mr. ROBERTS. Some of the reasons are these: There is the great length of the road. The route is not as good geographically as some of the others. The facilities afforded are not equal to the facilities afforded by the New York Central, the Pennsylvania, or the Erie Railroad.

The CHAIRMAN. Have you personally been over the Grand Trunk line?

Mr. ROBERTS. No, sir.

The CHAIRMAN. You do not know what its condition is so far as settlement along its line is concerned, do you?

Mr. ROBERTS. No, sir.

The CHAIRMAN. I suppose as a matter of fact that their local traffic is not as great as that of your road, for instance?

Mr. ROBERTS. No, sir; I am sure it is not.

The Chairman. What differential do you pay the Grand Trunk, or rather what differential do you allow them, for their adherence to the published rates?

Mr. ROBERTS. I can not say what their differential is now; it varies from time to time. The general understanding about the rates of the roads in the Trunk Line Association is that they shall be made by each company upon consultation with the other members, and at about such rates as will give each company a reasonable share of the business. Any serious depression of rates upon the part of one line or advance upon the part of another tends, of course, to increase or diminish the volume of traffic on such line.

The CHAIRMAN. Do you deem it necessary that that sort of association shall be continued?

Mr. ROBERTS. Do you refer to the Trunk Line Association?

The CHAIRMAN. Yes, sir.

Mr. ROBERTS. I think it is to the advantage of the public and the railroads that such an association should exist.

The CHAIRMAN. What are the advantages to the public that you speak of?

Mr. ROBERTS. It insures a greater uniformity of rates to the shippers, and greater publicity of rates. Whatever is to the advantage of the public is directly to the advantage of the railways.

The CHAIRMAN. What is your judgment about the rates now; are they about right, or too low or too high?

Mr. ROBERTS. The rates now in many instances, I think, are rather below what is a fair remuneration for the railroads. I think they are lower than what is to the advantage of the public they should be.

The CHAIRMAN. Why so?

Mr. ROBERTS. My reason for saying so is that when the rates are extremely low, the revenues of the railroads fall, and their ability to improve their properties, with better stations, better service, better rolling stock and to offer advantages in many ways to the shipper, is curtailed. Economies have to be made in all departments, and such economies are generally to the disadvantage of the public, in the form I have stated.

The CHAIRMAN. Suppose this Trunk Line Association did not exist; do you think that rate wars would ensue?

Mr. ROBERTS. I think that the tendency to such wars would be very much increased. As I before stated, the object of the association is to maintain uniform and steady rates. Competition between the numerous lines is quite sufficient to keep rates down to the lowest possible figure, and rather below what is proper.

THE INTERSTATE COMMERCE LAW.

The CHAIRMAN. What is your judgment as to the situation? With this association that you are president of permissible under the law, and the interstate commerce act in force, is or is not the condition of affairs improved above what it was before the law was passed and under your pooling system?

Mr. ROBERTS. I think it is. I think an improvement has resulted from the passage of the interstate commerce law, in the honesty of the management of the railways, if I may use so strong a term. I do not wish to say that people engaged in the administration of railways are any more dis-

honest than any other class of officers. I believe those engaged in the administration of railway affairs throughout the country are certainly above the average in intelligence, honesty, and capacity. They must be. They are engaged in such enterprises as would naturally develop such ability.

The CHAIRMAN. Judging from the statements of their shrewdness in violations of the interstate commerce act, theyc ertainly have greater capacity than other people. [Laughter.]

Mr. ROBERTS. While the interstate commerce act is not strictly observed by all the railroads, there is an effort on the part of many of them to bring themselves into line with the law and to operate under it. I do not think that the railroads are to be blamed for the condition of affairs that obtained at the time that law was passed or the condition of affairs that obtains at the present time. The railroads were allowed to grow up without any regulations. Disjointed lines were constructed throughout the entire country, and were left without any proper system of laws to govern them. The National Government, after permitting this system to grow up, injects into it a law which is intended to upset all the rules which were formulated by the managers of the various railroad companies.

It seems to me that it was the duty of the National Government and the people who are fond of criticising the management of railroads to have enacted some proper law years ago, and in such way as not to have required the sudden and entire transformation that has been caused by this law.

The CHAIRMAN. Do you not think it is better late than never?

Mr. ROBERTS. I have no hesitation in saying that the time had fully arrived for the national Government to pass some law to govern the transportation interests of the country and the public in their relations to each other.

The CHAIRMAN. By the recent amendments to the interstate commerce act we have undertaken to regulate somewhat the public who do business with the railroads.

Mr. ROBERTS. I am very glad to say that I have recently heard of one or two instances in which the amendment has had a most salutary effect upon the shippers as well as upon the railroads.

REGULATION OF CANADIAN ROADS.

The CHAIRMAN. Going back to the direct and important question as between American interests and Canadian interests, what remedy have you to suggest, if any, or what amendment to the interstate commerce act or any other governmental action that would place the American roads and the Canadian roads upon an exact equality?

Mr. ROBERTS. I think it is due to the American roads that any foreign corporation permitted to carry traffic out of this country into a foreign country and back into this country, should come under the same laws that govern our own domestic lines.

The CHAIRMAN. Not only in that particular business, but in all its business, whatever it is, in its own territory.

Mr. ROBERTS. No, sir; of course we can not make laws here, I take it, to govern the action of a foreign corporation within its own territory; but if the Canadian roads are permitted to carry traffic out of the United States through their own territory and back into the United States in competition with roads that are wholly within the United States, I am very clear in my own mind that they should be brought under precisely

the same provisions of law as the roads in the United States, or else they should not be permitted to do such business. I am not clear in my own mind that it is right and proper that they should be permitted to do such business at all.

Senator HARRIS. I want to ask you this question in that connection: If that commerce which begins in the United States and passes through Canada to another point in the United States; the commerce which begins in the United States and ends in Canada; the commerce which begins in Canada and ends in the United States; the commerce which begins in the United States and passes through Canada to a foreign market; the commerce which begins in Canada and passes through the United States to a foreign market; now, if these classes of commerce were all subjected to the interstate commerce act, would there be any just cause of complaint upon the part of the American roads of an unequal or an unfair competition with Canadian roads?

Mr. ROBERTS. As a citizen of the United States I should say no. At the same time I can not quite understand why a foreign railroad should be permitted to engage in the transportation of traffic that you have just indicated (with the exception of traffic from a point in the United States to a point in Canada), and foreign vessels not be permitted to engage in carrying coastwise traffic.

If we get on a foreign steam-boat on Lake Ontario, which stops at an American port, it dare not stop at another American port until it has stopped at a Canadian port. Now, why make any difference between a foreign boat and the Grand Trunk Railroad. I do not speak of the wisdom of a law which prevents foreign vessels engaging in coastwise traffic; but it does seem to me that if it is a good law it should be made applicable to the railroads.

The CHAIRMAN. On both sides of the country?

Mr. ROBERTS. Yes, sir.

Senator HARRIS. Do you not think that there are advantages to both countries in the present system of interchange of commerce from this country to Canada and through Canada, and from Canada into this country and through this country?

Mr. ROBERTS. Yes, sir; great advantages. I would have no hesitation in saying that reciprocity between this country and Canada would advance largely the interests of this country. No person can cross into Canada out of the activity of New York State and see the condition of that country without at once reaching the conclusion that if the barrier were taken away and there were a free interchange of traffic between the two countries it would be largely to the advantage of both, but more so to our own country than to Canada.

The CHAIRMAN. Why so?

Mr. ROBERTS. Probably a little incident which occurred to me recently would show you why.

I went over to a little town—I think it was Rockville—in Canada on a Saturday afternoon from the New York side. The wagons and plows that I saw there I think were brought over at the time the French first came into Canada. There was hardly a Yankee implement to be seen, while on the New York side the agricultural implements were all new; they were Yankee implements.

The CHAIRMAN. Breaking down the line, then, would help Canada more than us, would it not?

Mr. ROBERTS. I take it the Yankee is quite able to get the value of his article when he trades with the Canadian. I am warmly in favor of

reciprocity as between the two countries, and that little incident strongly impressed me.

The CHAIRMAN. So far as this immediate question is concerned, you say, I believe, that if the Canadian roads were placed upon an exact equality with the roads in the United States under the law, you could successfully compete with them?

Mr. ROBERTS. So far as representing the Pennsylvania Railroad I may say, yes. So far as a citizen of the United States and giving my views of the railway interests of the United States, I would say no. As I stated before, I can not believe that it is right and proper that the individual capital of this country should be obliged to compete with the subsidized railways of Canada, backed by the Dominion of Canada. I believe that the capital invested in the railways of this country is quite as much entitled to protection against competition carried on in that way as the capital invested in any other enterprise in this country.

Senator BLAIR. That seems to be the vital point, really, of the whole thing. To avoid that competition, what practical method or measure occurs to your mind?

Mr. ROBERTS. I would approach the remedy gradually. I would bring all Canadian lines that desire to do business in the manner indicated by the Senator under the same law as our domestic lines and try that. If we find that that is not going to protect us, that the capital invested in Canadian roads is going to be used for the purpose of acquiring lines in the United States, this capital having been furnished directly or indirectly through the Canadian government—and the traffic of our country carried out through those lines for the purpose of fostering the transportation interests of Canada, I would go further and apply the same law to the railways as is applied to the coastwise vessels.

Senator BLAIR. That would mean that all American transportation should be on American roads, all transportation within the lines of the United States should be carried on by American agencies.

Mr. ROBERTS. Yes; there are no points in the United States where I have ever been that are not quite well served by American enterprise and transportation interests.

Senator GORMAN. If you exclude the Canadian roads what effect would it have on the freight charges to our people? In other words, would the American lines be equal to the demands of the carrying trade to-day, or would there be an increased charge?

Mr. ROBERTS. I do not think it would increase the charges of the American roads to any appreciable extent, if at all.

Senator GORMAN. You think not.

Mr. ROBERTS. I think not. The competition of our railways and other industries of this country is so great that I do not think the public has any reasons to object to the prices charged.

Senator GORMAN. I asked you that question in view of an intimation made by one of the gentlemen who have been before us, I think Mr. Wiman. He intimated, I think, that if we repealed the act of 1866, which permits cars to pass to and from this country sealed, the result would be an increased charge to the producers or consumers of this country, because of the want of facilities on the part of our roads; in other words, that it would enhance the cost of transportation.

Mr. ROBERTS. I do not share in that view for a moment.

Senator GORMAN. Do you think the existing lines have the facilities to move all the tonnage east and west without regard to the Canadian lines?

Mr. ROBERTS. They have both the facilities and the ability to do it.

Senator REAGAN. Can not our lines carry from Chicago to the eastern sea-board cheaper than the Grand Trunk road?

Mr. ROBERTS. Yes.

Senator REAGAN. Because, first, for the reason of the longer route by the Grand Trunk.

Mr. ROBERTS. Yes.

Senator REAGAN. And, again, because of the sparsely settled territory in Canada, and consequently a less volume of business.

Mr. ROBERTS. Yes.

Senator REAGAN. And the Canadian roads are not so well supplied with good rolling stock?

Mr. ROBERTS. I imagine some of the equipment of the Canadian roads is quite up to our own.

Senator REAGAN. Then the crossing of the St. Lawrence by boats, or across to Port Huron, makes some disadvantages, and the re-crossing at Buffalo and elsewhere would make it in favor of our roads, would it not?

Mr. ROBERTS. Yes, sir; our roads are quite able to carry the traffic cheaper than the lines through Canada, and remunerate the capital invested in them.

Senator REAGAN. And that is why the other roads feel that they must allow a differential to those roads?

Mr. ROBERTS. Yes, sir.

Senator REAGAN. Allow the differential because our roads can carry cheaper?

Mr. ROBERTS. Yes; the allowing of a differential to a line, that is, allowing a line to charge a less rate where it costs more to transport the traffic, for the purpose of enabling it to earn money, would seem to be rather an absurdity.

Senator REAGAN. If that is not the reason for it, what is the reason for the differential?

Mr. ROBERTS. It is simply from the fact that if a line of that character does not carry at a lower rate it will not secure any traffic. Railway enterprises are different from manufacturing industries, and such roads can not live without carrying traffic.

Senator REAGAN. The point that I was trying to get at was this, to inquire of you whether because of a road not having a traffic which would sustain it, you allow it a differential?

Mr. ROBERTS. I think I would say this, that those lines insist upon carrying traffic, and if they can not get the traffic at one price they will take it at another.

Senator REAGAN. Is it not true that they can not get it because of the reasons I have suggested?

Mr. ROBERTS. Yes, sir.

Senator BARBOUR. Is there not another element that enters into the question, and that is that these people run their lines anywhere without regard to business locally, and what they may get in the way of through business is that much clear profit?

Mr. ROBERTS. To a certain extent; yes.

CONTROL OF TRAFFIC IN CANADA.

Senator REAGAN. In speaking of the effect of the interstate-commerce act, as connected with the Canadian commerce, I believe I understood you to suggest that within our territory they had operated their

roads in conformity to law, but after the freight passed out of our territory they did not act in conformity to the law.

Mr. ROBERTS. I do not know whether they operated under the law or not.

Senator REAGAN. I suppose you are aware that the law requires the Canadian lines operating in this country, as to freight originating in the United States and passing through the United States into Canada and returning again to the United States, to furnish their schedules of rates up to the point where the freight leaves the territory of the United States, and the schedules of their through rates to the final terminus of the road.

Mr. ROBERTS. Yes, sir.

Senator REAGAN. In order to secure the enforcement of that, the act provides that if they fail to furnish this schedule, the goods on being returned to our territory are subject to duties as any other foreign merchandise. Are you aware that the interstate-commerce act provides that the Canadian roads doing business in this country must subject themselves to the provisions of that act or make themselves liable to have their trade cut off?

Mr. ROBERTS. I can not say that the act contains the provision that you have just referred to, but even if it did I do not see how you could in anywise control a line within the Canadian territory.

Senator REAGAN. Have you seen a decision recently made by the Interstate Commerce Commission in relation to the transportation of coal across the Niagara frontier, and read the principles that are laid down in that decision?

Mr. ROBERTS. No, sir; I have not.

Senator REAGAN. It is a decision made perhaps within the last two or three weeks, in which the Interstate Commerce Commission affirm that under the provisions of the interstate-commerce act Canadian roads doing business in the United States, must, as to that business, be governed by the provisions of that act, and that they can not be permitted to enjoy the commerce of this country without being placed under the same restrictions as are our own roads. I call your attention to that because I think it was overlooked in your statement of the case.

Mr. ROBERTS. Assuming that to be the case I do not see yet why they have not the full facility of handling that traffic on lines incorporated in Canada just as they like. The traffic may be brought to them at the Canadian frontier. After the traffic passes out of the States it becomes wholly their traffic, and they may carry it for nothing if they see proper.

Senator REAGAN. I call your attention to the fact that the law provides that any change of cars—any stoppage in transit—shall not defeat the operation of the law between the point of shipment and point of destination, and besides the law contains the provision that there shall be no advance of rates without ten days' notice or reduction without three days' notice.

Mr. ROBERTS. I remember all those provisions, but still it does not seem to prevent independent action of the Canadian roads on traffic after it gets on their lines. If they bill goods from New York to a point in the Dominion on a through manifest, then we may assume that the Federal Government through its law has some control of that traffic. But if that traffic is billed to the International Bridge, or even if it is billed to its destination on the Canadian road, after it reaches its destination if the Canadian road sees fit to make a rebate to the shipper how are you going to prevent it?

Senator REAGAN. If the Commission is right in its statement that the Canadian roads doing business in this country come under the restrictions of the law the same as our roads do, then I assume, Mr. Roberts, that your conclusions are not correct, because they could not avoid the provisions of the act by anything that was intended to defeat its operation, such as billing a part of the way and then rebilling. They can not do it by change of cars or by any other arrangement that is designed to defeat the operation of the act.

The CHAIRMAN. Or by handing over a check after the goods are delivered?

Mr. ROBERTS. Suppose they do, however, what are you going to do with them?

Senator REAGAN. The Commission says the remedy would be to stop them from dealing in our commerce.

Mr. ROBERTS. I want to know how, under the present law, you are going to reach them? You can not prevent a road from carrying goods from here to the Canadian frontier. After it gets to the Canadian frontier the Canadian road may do with it what it likes. It may carry it or not. You may remonstrate as much as you like, but how are you going to control them? Now, understand me, I do not assume that any of the Canadian roads are doing so, but until some laws are passed that will get a more thorough grasp upon this character of business than anything existing at the present time you are powerless to control any action that the Canadian roads desire to take in reference to traffic passing over their lines. You are, I think, in the same condition in reference to lines wholly within our commonwealth—roads in this State, for instance, that do not reach beyond the border of the State. This is gradually correcting itself, because we are one people, and what is to the interest of one State is to the interest of all, and I think the States will gradually conform to the National Government in their laws, so that the conflicts we now have with reference to national rights and States rights in transportation will gradually fade out.

Senator REAGAN. There is no disagreement of opinion upon the fact that traffic originating in Canada and terminating in Canada is exclusively under the control of the Canadian Government, so that the whole question for us to consider is the condition of commerce that passes from the United States into Canada and from Canada back into the United States, and from Canada into the United States and from the United States back into Canada. As to commerce that originates and terminates in Canada all agree that it is under the control of the Canadian Government. The question before us is that of international traffic.

Mr. ROBERTS. What control have you over traffic that starts from Chicago and goes to Montreal and there takes the steamer for Liverpool?

Senator REAGAN. It is interstate commerce and goes partly through our territory, and according to the interstate law and the decision of the Interstate Commerce Commission it comes distinctively under the influence of our legislation.

Mr. ROBERTS. Suppose that for any good reason a railroad wholly within the Dominion of Canada made an arrangement from Montreal to Liverpool by which it subsidized the steam-ship line, what would you do with it?

Senator REAGAN. We do not assume to regulate rates for any road. The law does not assume that. But under the law there is this check

upon them, that they are compelled by its provisions to give notice of their rates, so that the other roads may know what their rates are.

Mr. ROBERTS. On that portion of the line that is within the United States running to the line. But after they get the traffic into Canada it is wholly theirs. They can allow what car mileage they like. They can make what arrangement they like in reference to loading steamers. They can do anything they desire.

Senator GORMAN. Notwithstanding the decision which Senator Reagan refers to, it has been stated here that the Grand Trunk Railway within the last two months has suddenly increased its dead-freight traffic from 20 to 39 per cent., nearly double. Now, as an expert in railroad matters, I ask you if that occurred to any of your trunk lines would it not seem to you positive evidence that some advantage or drawback had been given the shipper to obtain that traffic?

Mr. ROBERTS. Yes, that is generally the conclusion reached. If it were one of our roads we would say that it had been allowing some drawback and doing something that we do not know about. We would say to them, "The shippers will not leave our line and go to yours unless you offer them some inducement."

Senator GORMAN. It has been intimated that that is precisely what has occurred on the Grand Trunk Line; that by giving a drawback or some inducement to the shippers they have obtained the traffic. Have you any information on that subject?

Mr. ROBERTS. I have not. I do not want anything that I have said here to be taken in any way as a reflection upon the management of the Grand Trunk, because I have the highest respect for the managers of that road. But I want to state clearly that the United States Government has no possible control over the ability of the Canadian roads to regulate rates on foreign traffic in any manner they may see fit. They can subsidize their steamers. They can subsidize a line of steamers from Portland, and I do not see how you are going to put your finger on them; you can not get any service on them.

Senator GORMAN. Would it be a fair proposition to say to the Canadian Government that "so long as we give your lines the right to transport goods within our territory, the cars to come and go freely, you must, by your own legislation, or by an international arrangement, subject your roads to the long and short haul provisions and all the conditions of the interstate commerce act, and give the Interstate Commerce Commission the right to ascertain the facts with respect to your railroads in Canada and your steam-ship lines just as they have the right to ascertain the facts in the United States, or else we will exclude you from participating in our traffic?"

Mr. ROBERTS. And after passing the laws that they will enforce them as rigidly as the Interstate Commerce Commission is trying to enforce them in the States?

Senator GORMAN. Yes. Now, is that an unfair proposition?

Mr. ROBERTS. I can not say it is. It tends to the general reciprocity between the two countries, which must, in my judgment, tend to the advancement of the interest of both countries.

Senator GORMAN. And it is your opinion that it is the only way in which you can put the two systems on an equality?

Mr. ROBERTS. Yes, because I have failed to see in my own mind how you can control a Canadian line by any legislation that you pass in this country. You can do it to a certain extent. You can do it in reference to through bills of lading, provided the commerce started in this country; not otherwise. You may probably control it if the commerce

started in Liverpool and is carried under bond to Chicago. When it gets into the States you can put your finger on the traffic and hold it for violation of law, and before it gets out of the State you can hold it. But outside of that, if the traffic starts here and crosses the boundary line and gets on the Canadian line, the moment it passes over that line they can do with it what they like.

Senator GORMAN. If it be true, as alleged, that they have steamers subsidized to the extent of a half million dollars a year from Halifax or St. John to the English ports, how much advantage would that give them in the ordinary course of business over our American lines in the rates of freight?

Mr. ROBERTS. It would be a very considerable advantage. The ability of railroad companies to control subsidized foreign steam-ship lines and make such arrangements with them as they please would, if they desired it, give them the ability to control the through business.

Senator GORMAN. This is a subsidy by the English or Canadian Government that I refer to.

Mr. ROBERTS. That would give them full ability to control the traffic.

Senator GORMAN. Now, how are we to meet it from our Atlantic ports?

Mr. ROBERTS. As I stated previously, I think it is unfair to permit those Canadian lines to be engaged in commerce of that character unless they are willing to bring themselves under the laws in the manner you indicate; either laws made by their own government, or the laws that govern our own railroads, or else that we put our hands upon their property when in the States if they do not.

Senator GORMAN. But taking the trade from the Asiatic ports; they having a line of steamers on the Pacific coast that is about to be inaugurated and subsidized at the rate of a million and a-half a year to connect with the Canadian Pacific, which was practically built by public money, and capable of reaching the tide on the Atlantic coast without touching any American territory whatever, what in your opinion, then, will be our condition with respect to the control of that through trade from China and Japan?

Mr. ROBERTS. Under those arrangements they have the first call on that traffic. It could not be otherwise.

Senator GORMAN. And necessarily would divert the greater portion of that trade.

Mr. ROBERTS. I would not say divert the greater portion, but it gives them the first call and control of the traffic. You will notice by an examination of the map that a portion of their route passes through the State of Maine to reach a suitable Atlantic port, and we ought in some way to protect our railway interest in this country, by holding a control over that traffic when it passes through our States.

Senator GORMAN. In other words, I understand you to say that unless some general arrangement embracing all trade originating in the United States as well as that coming through the United States could be made, you would require an adjustment of all those interests or else cut off their American feeders.

Mr. ROBERTS. I would. I think it is due to the people in this country who have their money invested in our railroads that they should not be brought into such competition with lines that are subsidized in that manner by a foreign government. If the American roads are to be brought into competition with subsidized Canadian lines, then it is the duty of the United States to protect the American lines also. I think our citizens are entitled to just as much aid from their Govern-

ment in the pursuit of their avocations as the people of Canada, when Congress insists on regulating one and does not regulate the other.

LEGALIZING POOLING.

Senator GORMAN. Now, Mr. Roberts, referring to your association, which is an arrangement, practically, to take the place, so far as it can legally, of the pool, by adjusting the business between the different lines, I think Mr. Depew and Mr. King and other gentlemen connected with corporations who have given their statements are of one opinion, and that is that it would be to the interest of the producers and consumers of the country as well as of the railroads if what are known as pools were legalized. I think it was Mr. Depew who went so far as to say that he was almost prepared to say that if pools were legalized he would be willing to have the rates which might be agreed upon by the railroads approved by the Interstate Commerce Commission before the pool was permitted to go into operation. What do you say upon that suggestion?

Mr. ROBERTS. Our company had reached the conclusion before the passage of the interstate commerce act that pools were not exactly the best thing for the interest of our railways and our company. We paid a very large sum of money under the pools, but they did not result in what was expected. We always felt as if the pools tended to suppress activity and development. Again, I believe the tendency of pools was to increase the construction of competitive lines. The new lines that were built prior to the enactment of the interstate commerce law started out generally to cut rates until they got a very large percentage of the traffic. Then they would come into the pool, and would say, "We have carried 10, or 15, or 20 per cent. of the traffic; we must have that or we will go out of the pool and destroy all railroad property that is in competition with us." I believe that our railroads in this country, if the National Government protects them by proper legislation and the different States will treat them fairly in their local legislation and the banking interests of this country will not furnish capital for the promotion of unnecessary enterprises, and none of these matters are beyond what we might reasonably expect, I believe that our railroads will all get into a fairly prosperous condition; but they never can reach it unless the country prospers.

Senator GORMAN. Now, by the articles of association of the trunk lines, approved February 20, 1889, with which you are perfectly familiar, did not the railroads which signed that agreement practically enter into a pool for the division of traffic? Is not that really the object of the association, stripped of all verbiage?

Mr. ROBERTS. No, sir; it is not. The object of that association was to prevent any one company doing any act that would in anywise injure the property of another company without consultation with that company, and if they could not agree, that they should leave their differences to arbitration before going into a war to destroy each other's property; that for the purpose of protecting themselves they should combine as a unit in an effort to have the interstate commerce law strictly enforced by all the railroads. There is nothing in the articles of agreement of the association that in anywise says that one road shall carry 20 per cent. of a certain amount of traffic and another carry 10 per cent., and if it does not carry the 20 per. cent that it will be paid the revenue thereof; but the agreement does provide that no road shall make or alter their rates or do anything that will in anywise interfere

with the interests of any other line in that direction without consultation.

Senator GORMAN. But you go one step beyond that so as to insure to the Erie road their fair proportion of the trade. You give them a differential of 5 or 10 cents in order to do that.

Mr. ROBERTS. We believe that under that administration the Erie road will get a fair proportion of the traffic.

Senator GORMAN. By permitting them to have the aid of a differential of 5 or 10 cents a hundred on west bound freight?

Mr. ROBERTS. In reference to that, the differential is the subject, as well as the rates themselves, of a full and thorough discussion, and it is arrived at so as to give each line no particular proportion of the traffic, but simply a fair share of the trade that is moving.

Senator GORMAN. I understand that. The suggestion was made by these gentlemen that it would be to the advantage of everybody—to the advantage of all sides—if practically such an arrangement were permitted by law, and when approved by the Interstate Commerce Commissioners, could be enforced as a part of the act.

Mr. ROBERTS. It might be wise if an organization of that kind could be legalized so that it could be enforceable by one party against the other.

Senator GORMAN. I know the word "pool" is used a little offensively and is really misunderstood by the country. I meant to ask you whether, in your opinion, it would be advantageous to permit the railroads under the law to enter into a proper business arrangement as to rates, and after a contract was made between the roads, when approved by the Commission, it should be enforced by the law?

Mr. ROBERTS. I should not take exception to a provision that any contract or traffic agreement which might be right and proper between railroad companies should, when approved by the Commission, become enforceable.

Senator GORMAN. What would be the effect of such an arrangement to the public?

Mr. ROBERTS. I do not think it would be bad; but I am not at all prepared to admit that the ability to pool the traffic of the country at competitive points and to make those pools clearly enforceable by law is a wise thing at present. It may be further on. We have worked under the pooling arrangement for a good while. Now we are working under something else. I would like to see that given a fair trial. Let the present law be enforced gradually. We will soon discover the weak points in the law and they can be corrected.

Senator BLAIR. Is not the principle of the pool that of combination; whereas the principle on which you would operate a railroad is that of competition?

Mr. ROBERTS. Yes, sir.

Senator BLAIR. So that the adoption of the pool and legalizing it would be legalizing the principle of the consolidation of railroad management and the abandonment of competition among railroads, would it not?

Mr. ROBERTS. Yes, to a certain extent, it would. Probably you are stating it very strongly, though.

Senator BLAIR. If I have stated it too strongly, will you not give us your views in regard to it?

Mr. ROBERTS. I would say that before the passage of the interstate commerce law, when we believed that pools were legal and they were made as strong as they could be, they did not succeed in combining the

railroad interests of the country in such a manner as to produce what is the natural result of combination. The natural result of combination is the advancement of the cost of the commodity to the public who require it.

Now, singularly enough, the effect of these pools seemed to be almost in the opposite direction, and that is one of the serious difficulties of the question of pooling. Some of the roads found themselves continually paying money into the pool with the hope that the rates would be remunerative, but found that the rates were continually depressed.

Senator BLAIR. Was not the reasons of these depressions of which you speak the fact that the pool was broken, and not because it was kept?

Mr. ROBERTS. The pool was kept. The percentages were adjusted and paid up to the 5th day of April, when the law went into effect, and the accounts were closed. We find now that the demoralization under those pools was even greater than it has been since.

Senator BLAIR. How do you account for that if the agreement that was entered into was kept by all parties in good faith?

Mr. ROBERTS. That is one of the questions that I can not answer, but none the less the fact clearly exists that the percentages agreed upon were paid by the parties. I think the Pennsylvania Railroad paid from $1,500,000 to $2,000,000 into the pool with the hope that they would get fair, uniform, and equitable rates.

Senator BLAIR. Is it not a part of the agreement in a pool that there shall be uniformity of rates? Were not certain rates agreed upon by the pool?

Mr. ROBERTS. Yes, sir.

Senator BLAIR. And ought not stability in the observation of that part of the agreement to have gone in equal step with the payment of the balances?

Mr. ROBERTS. It should have.

Senator BLAIR. Then, if there was unsteadiness in the tariffs, is it not an admission in that regard that the pool was broken?

Mr. ROBERTS. Yes, sir.

Senator BLAIR. You perhaps confound my question as relating only to that portion of the pool which regards the payment of what roads like your own had agreed to. The pool, as I understand it, embraced not only that stipulation, but had as the foundation of it that certain tariffs should be observed by all the parties. Now, when that part of the agreement is abandoned the pool is abandoned and the effect destroyed, is it not?

Mr. ROBERTS. Practically no. The pool held together.

Senator BLAIR. You mean, I suppose, that those who paid balances held to their part of the agreement?

Mr. ROBERTS. Yes.

Senator BLAIR. Then the pool was gone, was it not?

Mr. ROBERTS. It was gone as far as reaching the result desired was concerned, but it was not gone so far as reaching the other result of paying money by the stronger lines, like the Pennsylvania, into the pool.

Senator BLAIR. What is a pool, as you understand it, Mr. Roberts?

Mr. ROBERTS. It is an association of railroad companies for the purpose of a proper division of the traffic at competitive points, and the maintenance of equitable rates that may be agreed upon.

Senator BLAIR. Now as long as they did that in good faith was not the effect beneficial?

Mr. ROBERTS. It should have been.

Senator BLAIR. Then the violation of that agreement by somebody in some way produced a harmful effect?

Mr. ROBERTS. Yes, sir.

Senator BLAIR. Then does it not follow that if the principle of the pool is combination and the pool is kept, that combination is the true principle to do business upon rather than competition among roads?

Mr. ROBERTS. No, sir; it is not. There is too much logic in your questions for me to agree with your deductions.

Senator BLAIR. If the situation will not admit of logic, perhaps there may be some other explanation. You are opposed to pools, and yet you say that when the pool was observed it had good results.

Mr. ROBERTS. When all its parts were observed it had good results.

Senator BLAIR. It is not a pool when it is broken in part, then?

Mr. ROBERTS. Yes, sir. A contract may be observed in part and still be broken in part.

Senator BLAIR. It was a pool, then, which was broken in part?

Mr ROBERTS. It was kept in that way, a contract with some provision violated.

Senator BLAIR. Is it not apparent, Mr. Roberts, that a contract violated by one or more parties to it, persistently and continually, ceases to be a contract for its natural and anticipated operation?

Mr. ROBERTS. It is. But you can conceive of a contract which has various clauses, and which is broken in some one part, so that some of the parties to it could say, "We will not observe the contract thus broken," but yet might not think it wise to do so.

Senator BLAIR. I am speaking of the actual condition of the old pool after any of its members violated part of its provisions. I am speaking of a theory of doing business which you embodied in the old pool with good results until parties to the pool violated it. Others of course may have kept their agreement and waived the violation on the part of their associates, for fear it might become still worse; and you did so, as I understand. But to get at the true theory of railroad management is the real question. Now, I understand that those pool arrangements, taking the railroad system of the country as it is, when they were kept, operated to the advantage of all; and it was only when they were violated that the injury came. Now, I understood you to say——

Mr. ROBERTS. I would hardly subscribe to the statement that when the pools were kept they operated to the advantage of all. I believe they operated to the advantage of producing more money for the time being; but they tended to suppress the proper development of the industries of the line. It did not require much effort, on the part of our company, to get its allotted percentage of the traffic; and it would thus tend to prevent the development of the traffic of the corporation to be restricted to any fixed amount. That is one of the difficulties and one of the points that was in my mind as against the theory of pools.

Senator BLAIR. So that you would not be willing to adopt as the general principle of railroad management that of combination rather than of competition among the roads?

Mr. ROBERTS. No, sir; I prefer well-regulated competition under clear and proper laws governing both the transportation interests and the shipper; I believe that is preferable to any pooling system for the development of the country and the stability of rates.

Senator BLAIR. Then I suppose that we might assume that it is your opinion as representing the greatest railroad in the world, probably, that the pooling system is on the whole a bad system, and that there is a better one?

Mr. ROBERTS. I believe under well-regulated laws that the transportation interests could be governed better.

Senator BLAIR. I would like to ask you a question in regard to the relation between local traffic and the through traffic. Which is of the greater consequence to the leading railroads of the country, their local traffic or their through traffic?

Mr. ROBERTS. The local traffic is of greater consequence to the railroads. It is greater in volume; but I am not prepared to believe that the profits on the local traffic are as great as the profits upon the through traffic.

Senator BLAIR. Could you give us an idea—of course not very accurately, but still an idea—of the relative importance of the local traffic of your road, for instance, as compared with the through traffic?

Mr. ROBERTS. What we define as local traffic upon our system of lines is about 90 per cent. of the entire traffic carried.

Senator HARRIS. Do you mean in volume?

Mr. ROBERTS. In tons.

Senator BLAIR. And how as to net income to the treasury of the road?

Mr. ROBERTS. I do not think we keep our accounts in that way. I do not remember.

Senator BLAIR. Of course the net income must be very large if your local traffic is nine-tenths of the whole traffic in volume. Now, you were speaking as to your belief that if the railroad system of Canada and that of the United States were placed under the same general laws and regulations, our railroads could compete successfully with those of Canada, and you spoke as though we might then be obliged to rely upon our superior capacity in doing the business to secure the traffic. That being so, what is the prospect of continuing that competition advantageously with the Canadian railroads if we go on and develop a local traffic for those Canadian railroads in the future, of which they are now practically destitute? Suppose, for instance, the Canadian Pacific Railroad is now so situated that you regard a change in conditions and the equalizing of conditions necessary in order to live in competition, and by introducing those conditions we proceed to give them nine times as much local traffic as they now have, and the rates are upon an equality with reference to their local system, would there be any prospect that we could then continue to compete with those roads?

Mr. ROBERTS. Yes, sir, under proper regulations and laws, without the interference of governmental assistance such as the Canadian Pacific has been given by the Canadian Government.

Senator BLAIR. But take the existing Canadian roads. They have been subsidized to such an extent by the Canadian Government that it is impossible for a road with private capital to compete with them, even if the Canadian roads are placed under the same restrictions and regulations as the American roads.

Mr. ROBERTS. Yes, sir; but that is to be guarded against.

Senator BLAIR. How can that be guarded against?

Mr. ROBERTS. Well, as I said before, I think that it is a matter to be approached gradually; it is a little farther ahead. The development of the local business and the prosperity of the Canadian roads have not become so great as yet for us to have any serious feeling as to the effect of their competition, but probably it would come in a very reasonable period of time. I take it that the increase of local prosperity upon our own lines will be very much greater than upon the Canadian roads. I do not believe the Canadian roads will ever catch up to us. Therefore,

if you will remember, I said I did not think it would be wise to take radical steps as yet.

Senator BLAIR. Now, upon another point, Mr. Roberts. Allusion is made to the traffic in given States as exempt from the operation of the interstate commerce law. Are you able to regulate the tariffs of fares and freights within the State of Pennsylvania without relation to tariffs of fares and freights within amd without, or in other words, without relation to the interstate charges of transportation?

Mr. ROBERTS. No, sir; we are peculiarly affected. In the State of Pennsylvania a law of the Commonwealth enacted the long and short haul clause, in our case, as it is popularly known.

The CHAIRMAN. That was a good while ago.

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. Suppose that not to have been the case—and I suppose it is not the case in New York, unless it is the law here limiting the maximum of charge to passengers, and that it is similar to the condition in the country, generally speaking, with respect to traffic within the States—are not the interdependencies of the traffic such in the country, as a whole, that the charges upon interstate traffic involve the charges upon State traffic?

Mr. ROBERTS. Yes, sir; the national law, through its ramifications, so affects the various properties that the independence of any particular piece of property lying wholly within a Commonwealth is almost destroyed. It has little opportunity of asserting its absolute independence, and if it does so it is generally met by the interstate law, saying "you are independent of us in that matter but not upon this," and consequently the national law brings the Pennsylvania system under its control.

The CHAIRMAN. And generally the railroad systems of the country come under the operation of this law.

Mr. ROBERTS. Very largely.

The CHAIRMAN. I would like you to furnish the committee hereafter with a statement of the rates of freight over your road between Chicago and New York for the last ten years.

Mr. ROBERTS. I will do so. The statement is as follows:

Statement of rate per ton per mile from Chicago to New York over the Pennsylvania Railroad.

	Cents.		Cents.
1879	6.73	1884	7.90
1880	8.94	1885	6.28
1881	6.79	1886	8.90
1882	7.56	1887	8.00
1883	8.98	1888	6.57

The following statement shows for each year since 1865 the number of tons of freight moved one mile, the rate per ton per mile, and the amount of reduction in any given year, computed on the difference between the rate in that year and that which was charged in 1865, over the Pennsylvania Railroad Division, between Philadelphia and Pittsburgh:

Years.	Total tons one mile.	Average rate per ton per mile.	Amount of reduction each year, computed on rate of 1865.
1865	420,060,260	2.665	
1866	513,102,181	2.282	$1,965,181.35
1867	565,657,813	2.092	3,241,219.27
1868	675,775,560	1.906	5,129,136.50
1869	752,711,312	1.718	7,128,176.12
1870	825,979,692	1.549	9,217,933.36
1871	1,011,892,207	1.389	12,911,744.56
1872	1,190,144,036	1.416	14,864,899.01
1873	1,384,831,970	1.416	17,296,551.31
1874	1,372,566,976	1.255	19,353,194.36
1875	1,479,414,466	1.058	23,774,190.47
1876	1,629,742,021	0.892	28,895,326.03
1877	1,494,798,198	0.980	25,187,349.64
1878	1,732,003,131	0.918	30,258,094.70
1879	2,136,708,887	0.796	39,935,088.91
1880	2,298,317,323	0.880	41,024,964.22
1881	2,655,438,764	0.799	49,500,487.34
1882	2,879,542,701	0.817	53,213,949.11
1883	2,996,892,567	0.819	55,322,636.79
1884	3,082,492,986	0.740	59,338,124.73
1885	3,318,466,263	0.627	67,630,342.44
1886	3,399,769,583	0.605	66,775,460.79
1887	3,957,601,512	0.670	78,954,150.17
1888	4,364,407,278	0.634	88,641,112.82
Total reduction for twenty-three years			799,609,313.00

Decrease of over 76 per cent. in rate per ton per mile in twenty-three years.

STATEMENT OF WILLIAM C. VAN HORNE.

Mr. WILLIAM C. VAN HORNE, president of the Canadian Pacific Railway Company, appeared.

The CHAIRMAN. You are the president at this time, I believe, of the Canadian Pacific Railway Company, are you not?

Mr. VAN HORNE. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. VAN HORNE. In Montreal.

The CHAIRMAN. Have you become a citizen of that Dominion?

Mr. VAN HORNE. Yes; but becoming a citizen of Canada is a very different thing from becoming a citizen of the United States. You are not required there to forswear your allegiance to your native country. If I returned to the United States I would owe, of course, no further allegiance to Canada.

THE CANADIAN PACIFIC LINES.

The CHAIRMAN. Will you please describe to the committee the various lines of your railroad, the termini and connections, water and rail?

Mr. VAN HORNE. The main line extends from Quebec, by way of Montreal, Ottawa, Winnipeg, to Vancouver on the Pacific coast, a distance of 2,905 miles.

The CHAIRMAN. That is what you call the main line?

Mr. VAN HORNE. Yes, sir. In addition to that we have a line extending from Montreal, by way of Toronto, to St. Thomas and London, in Ontario, which line is being at present extended from London to the Detroit River to make a connection there with the Wabash Railway. We have a leased line from Montreal across the State of Maine to Mattawamkeag, in that State. Mattawamkeag is 56 miles from the eastern boundary of Maine. That line is practically continued to a connection with the railway system of New Brunswick, and by a trackage arrangement we are a joint user of the Maine Central Railway. That affords a short line between the maritime provinces and Montreal. That line is not yet in operation, but will be in two or three weeks.

The CHAIRMAN. Where will be the final terminus of that line?

Mr. VAN HORNE. It is practically completed now. The real terminus of the railway leased by the company is Mattawamkeag. We go 56 miles farther over the Maine Central.

The CHAIRMAN. Where does that New Brunswick system carry you?

Mr. VAN HORNE. That carries us to St. John and Halifax.

The CHAIRMAN. So that when those links are filled in you will have a line from Puget Sound to St. John or Halifax.

Mr. VAN HORNE. Yes; it is practically a line to Halifax, although we have to depend upon other lines from Maine eastward. We have a branch line from Sudbury Junction to Sault Ste. Marie, connecting with the American railway system at that point. We have quite a number of local branch lines of various descriptions.

The CHAIRMAN. Where are they?

Mr. VAN HORNE. Do you want all the branches, however short?

The CHAIRMAN. Yes; if they are branches in the United States.

Mr. VAN HORNE. No; these are local Canadian lines. The only line we have in the United States is this leased line that I speak of, running part way across the State of Maine.

The CHAIRMAN. Making a part of your main line?

Mr. VAN HORNE. Yes, sir.

THE "SOO" LINES.

The CHAIRMAN. Have you or not a branch line or a feeder from Minneapolis to the Sault Ste. Marie?

Mr. VAN HORNE. No, sir. There are two independent railway lines connecting with us at the Sault Ste. Marie; one leading to Minneapolis and the other to St. Paul, in which some of the friends of the Canadian Pacific Company had to take an interest, in one case at least, to help to complete the railroad.

The CHAIRMAN. Is it not true that the Canadian Pacific controls that road now?

Mr. VAN HORNE. Not the Canadian Pacific Railway Company. I presume the friends of the Canadian Pacific Railway Company hold a majority of the common stock.

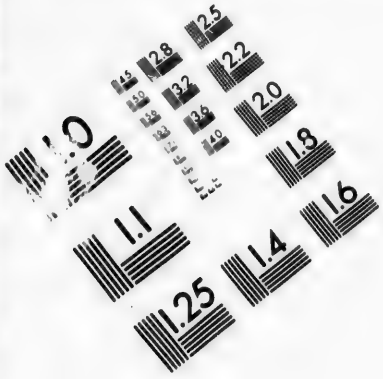
Senator REAGAN. In both roads?

Mr. VAN HORNE. In both roads.

The CHAIRMAN. Who owns the bridge there at the Sault?

Mr. VAN HORNE. The Sault Ste. Marie Bridge Company, an American company, nominally. It is owned one-half by the Canadian Pacific Railway Company. One-fourth is owned by the Minneapolis, St. Paul and Sault Ste. Marie Railroad Company, and one-fourth by the Duluth, South Shore and Atlantic Railway Company.

The CHAIRMAN. Who owns that road?



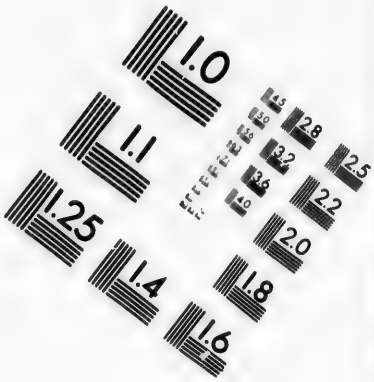
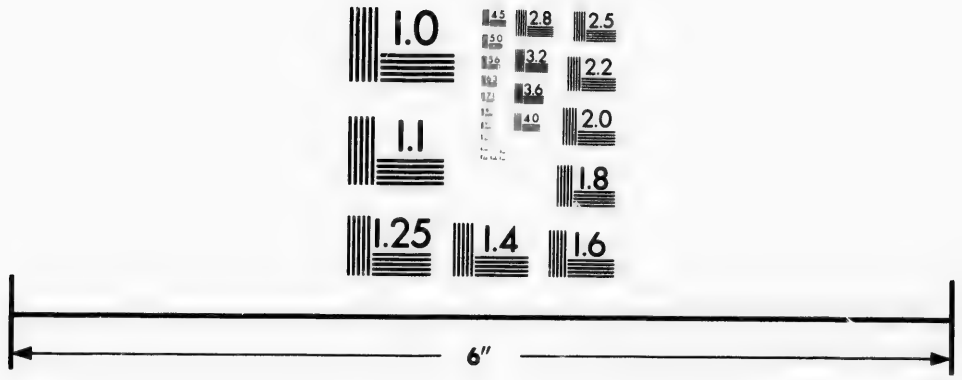
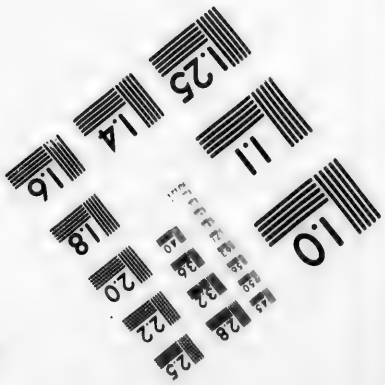


IMAGE EVALUATION TEST TARGET (MT-3)





Photographic Sciences Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

Mr. VAN HORNE. It is the old Marquette, Houghton and Ontonogan Railroad with some extensions and additions. It is a line running from the Sault Ste. Marie to Duluth. The friends of the Canadian Pacific hold quite a large interest in its common stock, probably a little more than one-half.

The CHAIRMAN. So that in fact the Canadian Pacific controls the bridge through its control of other roads, and controls those two lines of railroad.

Mr. VAN HORNE. The Canadian Pacific does not control the two lines of railroad. It controls or owns a half interest in the bridge.

The CHAIRMAN. You say this other road is practically controlled by the Canadian Pacific, and they own a one-fourth interest in the bridge?

Mr. VAN HORNE. It is controlled by parties interested in the Canadian Pacific. In one case they were assisted temporarily by the Canadian Pacific.

The CHAIRMAN. Is it not now, for all practical purposes, substantially under the control of the Canadian Pacific Railroad?

Mr. VAN HORNE. It is not.

The CHAIRMAN. Well, what are your relations to it?

Mr. VAN HORNE. They are friendly connections. Their interests are directly with us. As far as the South Shore line is concerned there is another connection. It connects with the Michigan Central and with the Pennsylvania system, and it works freely with any connections. I may make the situation a little clearer by explaining that the action of the friends of the Canadian Pacific in respect of these two lines was first brought about by the necessity of having to assist the Minneapolis people in completing their line. They ran out of money. The Canadian Pacific had built a line nearly 200 miles in length for the purpose of making this connection, and it would have been a very serious matter for us to have the work on this Minneapolis line stopped for want of money. Therefore some of the friends of the Canadian Pacific Company came to their assistance, and in the case of the Duluth, South Shore and Atlantic Company they were actuated partly by the desire to protect the money they had put in the Minneapolis line and partly by a desire to head off the Grand Trunk road, and prevent it from building to Sault Ste. Marie.

The CHAIRMAN. Then, the relation of the Canadian Pacific to those two railroads is different from its relation to other roads in which it has no capital invested, is it not?

Mr. VAN HORNE. I do not know to what extent we could control it. I have no doubt that in matters affecting the interest of the Canadian Pacific the friends of that company who have an interest in these other companies would naturally work with the Canadian Pacific. We have never had any occasion to use any control or to attempt to exercise any control.

The CHAIRMAN. So that they are entirely free and independent corporations?

Mr. VAN HORNE. Yes, sir; except when they are hard up and want some of our people to lend them some money.

The CHAIRMAN. Who are the directors of these two roads, if you can name them?

Mr. VAN HORNE. I can not name them. In a general way I think I might name them. I do not think any of them are in the Canadian Pacific. In the case of the Duluth, South Shore and Atlantic I think Sir Donald Smith, Sir George Stephen, and myself are on the board, and likewise on the Canadian Pacific board.

The CHAIRMAN. And on each of the other boards?

Mr. VAN HORNE. No; this is on the Duluth, South Shore and Atlantic. I do not think any of our people are on the board of the Minneapolis, St. Paul and Sault Ste. Marie.

The CHAIRMAN. Are any of your stockholders?

Mr. VAN HORNE. I do not think any of our stockholders are on the board of the Minneapolis, St. Paul and Sault Ste. Marie.

The CHAIRMAN. Who is the president of the Minneapolis, St. Paul and Sault Ste. Marie?

Mr. VAN HORNE. General Washburn.

The CHAIRMAN. And who is president of the other road?

Mr. VAN HORNE. Mr. McMillan. They are both United States Senators, I believe.

The CHAIRMAN. So you say you do not undertake to control them nor they you.

Mr. VAN HORNE. No, sir; we have never had any case of that kind. No cases have ever come up, so far, where our interests have conflicted.

THE TRAFFIC OF THE CANADIAN PACIFIC.

The CHAIRMAN. I will ask you to describe your traffic in general terms—Canadian, United States, and foreign.

Mr. VAN HORNE. The chief traffic of the Canadian Pacific Railway is the local Canadian traffic, strictly Canadian traffic, probably amounting to 90 per cent. of the whole.

Senator HARRIS. In tonnage or revenue?

Mr. VAN HORNE. Both.

The CHAIRMAN. The chief traffic, you say, is the local traffic in your country?

Mr. VAN HORNE. Yes; I include in that such traffic as cotton goods from Canadian points to China—freight originating in Canada and carried over the Canadian Pacific, not in any way relating to the United States. We have very little State to State business passing by way of the Detroit frontier or crossing the Detroit or St. Clair Rivers. We have some States' traffic connected with the two lines west of the Sault Ste. Marie. It is not a paying traffic, and we have not sought it.

The CHAIRMAN. Where does it go when you carry it?

Mr. VAN HORNE. We carry it by way of Montreal to Newport, Vt., and there we hand it over to the Boston and Lowell. I will say, in connection with the Canadian lines, that the company has a controlling influence in the line extending from the St. Lawrence River to Newport, in Vermont. That railway runs a short distance into Vermont and out again into Canada and then back again into Vermont. Its construction was forced that way by the topography of the country. This new England business that is got from Minneapolis and St. Paul and that district partly goes by way of Newport to Boston over the Boston and Lowell Railway, and is partly delivered to the Canada Atlantic Railway, in Canada, and St. Polycarp, and reaches New England points by way of the Central Vermont.

Senator BLAIR. That is Minneapolis business?

Mr. VAN HORNE. Yes; Minneapolis business. We practically do no business to Duluth.

Senator BLAIR. By what lines does it proceed from Newport, Vt., to Boston?

Mr. VAN HORNE. By the Boston and Lowell. Some business goes by way of the White Mountain notch, over the Portland and Ogdensburg Railroad. Some of that business goes by the line I spoke of in the State of Maine. For instance, the Bangor business goes that way.

We have a little State to State traffic over some of the eastern districts and some from the Mississippi Valley and some from Seattle, and a very small amount to and from San Francisco. That amounts to but little. We do not seek the business.

The CHAIRMAN. Is that done by steamer?

Mr. VAN HORNE. That goes by steamer. We have no rail connection on the Pacific coast.

The CHAIRMAN. That goes under an arrangement for bonding.

Mr. VAN HORNE. It is bonded. The steam-ship line running from Vancouver to San Francisco is an American line.

The CHAIRMAN. What proportion of your traffic is taken from the United States, at any place?

Mr. VAN HORNE. And destined to United States points again? Do you mean State to State traffic?

The CHAIRMAN. How much tonnage do you get that originate in the United States?

Mr. VAN HORNE. Excluding coal it is very small. I intended to have had the figures for that, showing the exact business, but our accounts, I find, are not kept with a view to showing it. It is, however, a very inconsiderable proportion.

The CHAIRMAN. Can you furnish that?

Mr. VAN HORNE. Yes, sir.

The CHAIRMAN. At the same time can you furnish the amount of traffic that you bring into the United States, showing where it comes from?

Mr. VAN HORNE. Yes, sir; that is mainly lumber. The statement is as follows:

FREIGHT STATISTICS, 1888.

	Pounds.
European freight via United States to Canadian points	14,740,320
United States freight to Canadian points	359,132,990
Canadian freight to Europe via United States	17,714,860
Canadian freight to United States	583,036,618

COMPETITION WITH AMERICAN LINES.

The CHAIRMAN. For what traffic do you compete with the American lines?

Mr. VAN HORNE. We compete with the American lines for all this traffic I have described, and we also compete with them for our own Canadian traffic, that is, traffic passing from Ontario to Manitoba, or possibly it might be more accurate to say that they compete with us there. They keep our rates very low.

Senator PLATT. You think they do not get much of it, do you?

Mr. VAN HORNE. They keep our rates pretty well down.

The CHAIRMAN. Do you have any part with American roads in dealing in differentials?

Mr. VAN HORNE. I think there is some dealing in differentials with regard to the passenger traffic on the Pacific coast.

The CHAIRMAN. Do you on Oregon traffic, for instance?

Mr. VAN HORNE. I think at Portland, Oregon, but not Puget Sound points.

The CHAIRMAN. Do you get the benefit of it?

Mr. VAN HORNE. Yes, sir.

The CHAIRMAN. What is it, if you know?

Mr. VAN HORNE. I do not remember what it is.

The CHAIRMAN. You have a differential also on your San Francisco traffic, have you not?

Mr. VAN HORNE. Yes; I do not know whether that applies to freight or not, but it does not count for much anyway, because we do not do much freight business there.

The CHAIRMAN. Does it apply to passengers?

Mr. VAN HORNE. I think it applies to passengers, and probably to freight.

The CHAIRMAN. You do not know what that is?

Mr. VAN HORNE. I think it is the same differential as to Portland. I am under the impression that it is $10 for first-class passengers and $5 for second class.

The CHAIRMAN. Why is it so large?

Mr. VAN HORNE. For that distance it is not a large differential. It is not as much relatively as the differentials existing between the American lines.

The CHAIRMAN. To where is the freight that you get at San Francisco and Portland destined?

Mr. VAN HORNE. It is mostly for Boston.

The CHAIRMAN. What is the character of it?

Mr. VAN HORNE. Wool and hides. We carried a little sugar at one time for Mississippi Valley points, but that was carried for some special reason. I do not now remember what it was. It was, however, only a small amount, and carried for a short time.

HISTORY OF THE CANADIAN PACIFIC.

The CHAIRMAN. Will you please to inform the committee as to the origin of your company, the purposes for which it was projected, and briefly the leading facts of a historic nature touching the transfer of the work from the hands of the Government to the corporation over which you preside?

Mr. VAN HORNE. The building of the Canadian Pacific Railway was first undertaken by the Dominion Government for the purpose of carrying out an agreement with the Province of British Columbia, one of the terms under which British Columbia came into the confederation being that this road should be constructed. The work went on very slowly, and, as government railway work usually is, it was very expensive. The country became tired of it. A very large amount of money had been expended and very little had been accomplished. After a good many years only a few miles of line were completed and they were only at work on that section between Lake Superior and Red River, and a section in British Columbia, some 200 miles east from the Pacific coast. Public sentiment eventually demanded that the work should be turned over to a private company, and after several unsuccessful attempts to find a party able and willing to undertake it, an arrangement was made with the present Canadian Pacific Railway Company, under which the Government agreed to surrender the work it had in hand, to complete the sections then under construction, but without rolling stock or equipment, to complete both of these pieces of work through a country not furnishing any local traffic. Of the main line there were six hundred and some odd miles built and a branch to connect with the Minnesota lines at Emerson.

Senator GORMAN. What was the total mileage?

Mr. VAN HORNE. I think the total mileage surrendered by the Government was 710 miles.

Senator HARRIS. Of completed railroad?

Mr. VAN HORNE. Yes, sir; that is, completed road without equipment. The company undertook to complete the rest of the line from Lake Nipissing to the Pacific Ocean for a subsidy of $25,000,000 in money and twenty five million acres of land.

Senator BLAIR. Where is Lake Nipissing?

Mr. VAN HORNE. It is northeast of Georgian Bay.

For clearness I may say that the subsidies given to the Canadian Pacific Railway, and these are the only subsidies, I believe, given directly to that company, were for the purpose of building this line west of Lake Nipissing—from Lake Nipissing to the Pacific Ocean. The company was organized in February, 1881, and laid the last rail on its main line in November, 1885, and opened for through passenger traffic in July, 1886, and for through freight traffic in August, 1886. During the construction of the line the company borrowed $35,000,000 from the Dominion Government, but about the time of the completion of its work it paid back $25,000,000 in cash, and the Government agreed to accept six and three-quarters or seven millions of acres of land in lieu of the other ten millions. So that practically the subsidies from the Canadian Government were $35,000,000 in cash and eighteen millions acres of land.

SUBSIDIES TO THE CANADIAN PACIFIC.

The CHAIRMAN. I will hand you a statement which I think is probably verified by your reports, or by the action of your Parliament, and would be glad if you would take up those items as you find them on that paper and see whether or not they are substantially correct. [Handing paper to Mr. Van Horne.]

Mr. VAN HORNE. This subsidy of $25,000,000 is correct.

Seven hundred and fourteen miles of railroad constructed by the Dominion Government, costing $35,000,000.

That is the line from the Red River to Lake Superior and Kamloops Lake to Port Moody. That railway is put down here as valued at $35,000,000. This sum of $35,000,000 represents the total expenditure of the Dominion Government on the Canadian Pacific Railway. There are several millions of dollars included in that for surveys. The 714 miles of railway should not be figured as worth anything at all as a piece of property. It could not earn anything. One section was in the Fraser Cañon, in British Columbia, and the other section was in the rocky, broken country between Lake Superior and Winnipeg.

Senator BLAIR. But they are part of your main line now?

Mr. VAN HORNE. Yes, and as such they are valuable.

Senator BLAIR. It was stated here yesterday that portions of the Canadian Pacific Railway cost as much as a hundred thousand dollars a mile.

Mr. VAN HORNE. One mile cost $700,000. Several miles cost $500,000 each. The line around the shore of Lake Superior was built by the company, and this line built by the government was from Lake Superior to Winnipeg and from Kamloops Lake to Port Moody, British Columbia.

The CHAIRMAN. What do you say with respect to that sum of $35,000,000 as stated in the paper?

Mr. VAN HORNE. I do not know what those thirty-five millions represent. It is charged in the government account to the construction of the Canadian Pacific Railway. It is the total amount the government had expended.

The CHAIRMAN. It is an aid substantially by the government as stated there, is it not? The value of it, according to your reports, or the public accounts of Canada for 1887, amounted to $61,760,785.40.

Mr. VAN HORNE. That is an item that appears as a note in the bal-

ance sheet of this company, not in the footing at all. It is just a note. It only refers to the land grant and this piece of property that cost the government $35,000,000. It is simply put in as a memorandum, and it is not in the account.

The CHAIRMAN. This document that I have in my hand is the Canadian Public Accounts for the fiscal year ending June 30, 1887. On page 14 I see it stated that 714 miles of railroad were constructed by the Dominion Government, costing $35,000,000, and presented to the Canadian Pacific Company as a gift.

Mr. VAN HORNE. That is adding the cash subsidy to the total amount the government expended on what they call the Canadian Pacific Railway. A large amount of that money was not spent on that line at all. They spent several millions on surveys.

The CHAIRMAN. But this expenditure for surveys resulted in the location of the line.

Mr. VAN HORNE. The government line was abandoned. We did not follow their surveys after taking the work in hand.

The CHAIRMAN. What do you say about the next item?

Mr. VAN HORNE. As far as this $35,000,000 is concerned, I say that as a piece of railroad property by itself it was worth absolutely nothing.

The CHAIRMAN. I am inquiring whether the government did not expend this money on it?

Senator GORMAN. As a part of your main line, what is it worth?

Senater BLAIR. What would it cost to reproduce it?

Mr. VAN HORNE. Well, we would not have built it where it is. We could have got through by another line at an expenditure of about, I presume, twelve millions of dollars, or perhaps fifteen millions.

Senator BLAIR. Twelve millions of dollars to build seven hundred miles of railroad?

Mr. VAN HORNE. Yes.

The CHAIRMAN. As it is, does it form a part of the main line?

Mr. VAN HORNE. Yes; a part of the main line.

Senator BLAIR. Is it not a better location for it as a part of your line than you could construct for twelve millions of dollars elsewhere?

Mr. VAN HORNE. It is very much worse. It passes through the Fraser Cañon, one of the worst places in the world.

The CHAIRMAN. Take the item concerning the capital stock; is that correct?

Senator GORMAN. Mr. Van Horne had better read the entire statement first and then take it up item by item.

The CHAIRMAN. All right.

Mr. VAN HORNE. I will do so.

Revised estimate of gifts from the Dominion Government to the Canadian Pacific Railway Company, and securities which that company has been enabled to float (stock and bonds) as the result of the Dominion guarantee and the land grant of 25,000,000 acres of land.

(1) Cash subsidies as follows:	
(a) Subsidy of $25,000,000 mentioned in section 3 of act of February 13, 1881.	
(b) 714 miles of railroad constructed by the Dominion Government, costing $35,000,000, which was presented to the Canadian Pacific Company as a gift, with interest, to June 30, 1887 (see Public Accounts of Canada for 1867)	$61,760,785
(2) Capital stock originally $100,000,000, but reduced to $65,000,000, with a minimum dividend of 3 per cent. guaranteed for ten years (see Poor's Manual).....	65,000,000

(3) During the session of Parliament of 1884 the Dominion Government authorized a loan to the company of $29,880,912, to be paid as the work of construction progressed, and for the purpose of expediting construction. Of this amount $9,880,912 is secured by lien on the entire road and land grant, subject to the then outstanding land-grant bonds; also Government bonds to the amount of $20,000,000, which was exchanged for a like amount of the company's loan of $35,000,000, which had been issued in the place of the $35,000,000 of original stock which had been retired (see sec. 4, Act 20th July, 1885)	$29,880 912
(4) Balance of $35,000,000 loan after deducting $20,000,000 placed in the hands of the Government in order to secure the $20,000,000 bonds above mentioned	15,000,000
(5) Land grant bonds issued by the company as a lien upon the lands which it acquired by gift of the Dominion	25,000,000
(6) Bonds, interest guaranteed by the Dominion for fifty years at 3½ per cent. issued to the company for the purpose of remunerating it for the loss of its relinquishment of the monopoly of railroad building in Manitoba	15,000,000
(7) Subsidy of $186,000, a year for twenty years for a line through the State of Maine	3,720,000
Total	215,361,697

The CHAIRMAN. Take the item concerning capital stock.

Capital stock originally $100,000,000, but reduced to $65,000,000, with a minimum dividend of 3 per cent. guaranteed for ten years (see Poor's Manual), $65,000,000.

Is that correct?

Mr. VAN HORNE. The word "minimum" is not correct. It was a fixed dividend of 3 per cent. I notice that the heading of the paper handed to me makes this guaranteed dividend appear as a subsidy. It was not so in any sense. The money for the dividend was deposited by the company with the Dominion Government in advance.

The CHAIRMAN. You say the word minimum is not correct?

Mr. VAN HORNE. Yes, sir; it is not correct.

The CHAIRMAN. Now the next item.

During the session of Parliament of 1884, the Dominion Government authorized a loan to the company of $29,880,912, to be paid as the work of construction progressed, and for the purpose of expediting construction. Of this amount $9,880,912 is secured by lien on the entire road and land-grant, subject to the then outstanding land-grant bonds; also Government bonds to the amount of $20,000,000, which was exchanged for a like amount of the company's loan of $35,000,000 which had been issued in the place of the $35,000,000 of original stock which had been retired (see section 4, act 20th July, 1885), $29,880,912.

Is that correct?

Mr. VAN HORNE. That is a very badly-mixed item.

The CHAIRMAN. I think it is a little mixed myself.

Mr. VAN HORNE. The company borrowed $29,880,912 from the Dominion Government.

The CHAIRMAN. On what terms?

Mr. VAN HORNE. At 4 per cent, secured by everything they had in the world—their railway rolling-stock, and everything connected with the railway, their land-grants and all.

The CHAIRMAN. That was borrowed from the Government?

Mr. VAN HORNE. Yes, sir. Subsequently—I suppose you do not care about going through all the details of the transaction so that you get substantial results——

The CHAIRMAN. I find this item in section 4 of the act of July 20, 1885——

Mr. VAN HORNE. The company borrowed $29,880,912. Subsequently

they borrowed $5,000,000 more, making, practically, $35,000,000. At the time they borrowed the last $5,000,000 they obtained power to mortgage their property, reducing their capital stock from $100,000,000 to $65,000,000, issuing in lieu of the $35,000,000 in stock $35,000,000 in bonds. From the sale of these bonds they paid the Government $25,000,000 in cash, and the Government agreed to take over about 7,000,000 acres of land for the remainder of the obligation at $10,000,000. In other words, to reduce their land-grant that much. That is the long and short of that transaction.

The CHAIRMAN. As an original transaction that money was advanced for the construction of that road, was it not?

Mr. VAN HORNE. Yes, sir; borrowed from the Government for that purpose.

The CHAIRMAN. Loaned by the Government to the road to aid in its construction?

Mr. VAN HORNE. The company was unable to sell all of its stock as it expected to do, and found itself in financial difficulties. It could not borrow any money at the time. Mr. Villard collapsed just at that time and prevented it from securing the money for carrying on its work, and it was obliged to turn to the Government, and the Government, rather than have the work stopped, loaned the money.

The CHAIRMAN. What became of the $5,000,000?

Mr. VAN HORNE. That covers all of it.

The CHAIRMAN. Part of it was taken back, was it not?

Mr. VAN HORNE. The company paid back $25,000,000 in cash and $10,000,000 in land. In other words, the Government reduced the company's land grant 7,000,000 acres, and released the company from the re-payment of the $10,000,000 in cash.

The CHAIRMAN. The balance of the $35,000,000 loan, after deducting $20,000,000 placed in the hands of the Government in order to secure the $20,000,000 of bonds which you have mentioned—what about that item?

Mr. VAN HORNE. That is simply an intermediate transaction. After the company received the power to issue $35,000,000 in bonds—at the time they got that power—the Government agreed to permit them to put out $15,000,000 of those bonds on an equal footing with the company's obligation to the Government, the Government taking the other $20,000,000 as security for its loan. The company paid off $15,000,000, and the Government took $20,000,000 in bonds and held them as security for its loan. The company simply saved 1 per cent. interest for that time.

The CHAIRMAN. Take the next item, Mr. Van Horne:

Land-grant bonds issued by the company as a lien upon the lands which it acquired by gift of the Dominion, $25,000,000.

How about that?

Mr. VAN HORNE. That item is correct. Those bonds are practically all paid off and canceled except about $4,000,000, but these were the company's bonds and in no sense a subsidy.

The CHAIRMAN. Paid off and canceled?

Mr. VAN HORNE. Yes, sir; all that were ever issued. They were not all issued.

The CHAIRMAN. If you regard it as a fair question, has the company earned the money to pay off these bonds?

Mr. VAN HORNE. No; they were paid off from the proceeds of the land grant. Five millions of these land-grant bonds were never issued,

but were handed over to the Government as security for the completion of the road within a given time, and those were afterwards released and canceled. They were held by the Government without interest. Of the other twenty millions, sixteen millions were paid off from the proceeds of land sales.

The CHAIRMAN. So that whatever indebtedness you contracted by the Government advancing the money, if you paid it at all, has been paid by the sale of property given you by the Government?

Mr. VAN HORNE. Oh, no; we sold bonds to the public to the extent of $35,000,000 chiefly for the purpose of paying the Government off.

The CHAIRMAN. Were those bonds issued without any guaranty by the Government?

Mr. VAN HORNE. Yes, sir; just an ordinary Canadian Pacific, first-mortgage 5 per cent. bond.

The CHAIRMAN. What did those bonds sell for?

Mr. VAN HORNE. They sold for about 94, I believe.

The CHAIRMAN. Take the next item:

Bonds, interest guarantied by the Dominion for fifty years at 3½ per cent., issued to the company for the purpose of remunerating it for the loss of its relinquishment of the monopoly of railroad building in Manitoba, $15,000,000.

How is that?

Mr. VAN HORNE. That is not correct. It is not a proper statement of the case.

The Dominion Government agreed not to authorize the construction of any railroad leading to the international boundary south of the Canadian Pacific for a term of twenty years. That was the protection provided for the very heavy investment the company had to make in building the line north of Lake Superior. But it was soon found that this monopoly would be impracticable, that it would cause a good deal of trouble, and it was finally proposed to wipe it out. The company did not ask anything for its cancellation, except that as English people to whom we have to look for money attach a great deal of importance to a monopoly, and it was on the faith largely of this monopoly in the Northwest that they put their money in the Canadian Pacific originally, and as the company had a great deal of work to do, which it required money from time to time, and it was fearful that the cancellation of this monopoly would render it difficult to secure money in England, it was proposed that if the Government would guarantee the interest on the bonds to the amount the company would probably require for two or three years the company would relinquish the monopoly. The Government guaranteed the interest on these $15,000,000 in bonds for fifty years and took all the land grant at a dollar and ten cents an acre as security.

The CHAIRMAN. The guaranteeing of the interest for fifty years was substantially guaranteeing the bonds, was it not?

Mr. VAN HORNE. They argued that it would be so, but the people who bought the bonds did not see it in that light.

The CHAIRMAN. How did those bonds sell in market?

Mr. VAN HORNE. They sold at 93, I think. They were 3½ per cent bonds.

The CHAIRMAN. Well, how about the last item?

Subsidy of $186,000 a year for 20 years for a line through the State of Maine, $3,720,000.

Is that correct?

Mr. VAN HORNE. Not as to its being a subsidy to the Canadian Pacific Railway. That subsidy was given to a company which was organ

ized, I believe, before the Canadian Pacific came into existence. It was the International Railway Company of Canada and the International Railway Company of Maine to which the subsidy was given. This international railway was subsequently sold to the Atlantic and Northwestern Railway, another organization, antedating the Canadian Pacific, the control of which the Canadian Pacific acquired for the reason that its charter gave pretty broad powers in the way of building and acquiring lines eastward. The Canadian Pacific powers stopped at Lake Nipissing. The Atlantic and Northwest took traffic over the International Railroad of Canada, which controlled the International Railroad of Maine, and it was in that way that this subsidy came to the Canadian Pacific. It was a subsidy granted by the Dominion Government on the demand of the maritime provinces, the people of which were not satisfied with the roundabout line belonging to the Government. It took them ten or twelve hours longer to reach Montreal and Ottawa than it would over this line.

The CHAIRMAN. When was that subsidy given?

Mr. VAN HORNE. I do not know when that subsidy was given to the International Railway. I can not remember. It was some years ago.

The CHAIRMAN. Before the line was built?

Mr. VAN HORNE. Oh, yes; before the line was built.

The CHAIRMAN. Has it been kept alive?

Mr. VAN HORNE. Do you mean has this subsidy been kept alive?

The CHAIRMAN. Yes.

Mr. VAN HORNE. Yes; it was transferred to the Atlantic and Northwest Company and then came to the Canadian Pacific on the lease of the Atlantic and Northwest.

The CHAIRMAN. Is the subsidy being given now?

Mr. VAN HORNE. Yes; its payment was commenced on the first of last January, on the completion of the line from Montreal to Mattawamkeag.

The CHAIRMAN. Is that line in operation?

Mr. VAN HORNE. No; but it will be open for traffic on the 2nd of next month.

The CHAIRMAN. Some testimony was given here the other day that indicated that the subsidy on different sections or parts of the Canadian Pacific was greater than $160,000 and really amounted to $250,000.

Mr. VAN HORNE. The additional amount is on a piece of line in New Brunswick. That line has yet to be built. The Canadian Pacific has nothing to do with that line.

The CHAIRMAN. Now, the total of these gifts and aids and guarantees in one way and another, saying nothing about what became of them afterwards, amounted to $215,361,697.

Mr. VAN HORNE. We do not figure it that way.

The CHAIRMAN. You are figuring what is paid back and what is borrowed. You do not count those items at all.

Mr. VAN HORNE. Well, if we borrowed money and paid it back it was not a gift.

The CHAIRMAN. It was an aid to the construction though, was it not?

Mr. VAN HORNE. I do not see how it can be figured as a subsidy or anything akin to a subsidy. It was simply borrowed money. We borrowed money from the Government instead of borrowing from a bank.

The CHAIRMAN. I understand, but ——

Mr. VAN HORNE. I can recapitulate the subsidies. Thirty-five million dollars in money, eighteen millions of land ——

The CHAIRMAN. What is the land worth?

Mr. VAN HORNE. That depends entirely on the future. We sold what the Government took back at a dollar and a half an acre. We got three dollars and a half an acre for some.

The CHAIRMAN. What would the land grant amount to at $1.50 an acre?

Mr. VAN HORNE. It would amount to $27,000,000.

The CHAIRMAN. What else?

Mr. VAN HORNE. That is all besides those pieces of railway.

Senator GORMAN. You got $10,000,000 on the land from the Government, did you not?

Mr. VAN HORNE. I put that in.

The CHAIRMAN. Do you state that you have not received anything more than that?

Mr. VAN HORNE. We have received thirty-five millions in money, eighteen million acres of land, for whatever it is worth, and these pieces of railway, aggregating 714 miles, for whatever they are worth.

The CHAIRMAN. What did you say these 714 miles of railway were worth?

Mr. VAN HORNE. On the day that we received it, as it stood, it was worth nothing as a property. It was worth to the Canadian Pacific road as part of their lines not over $10,000,000, for this reason: The company would have gone by an entirely different route, and would have saved a great deal of money on the rest of the line that they built if it had not been for the necessity of making use of these pieces. That is especially true of the line in British Columbia.

The CHAIRMAN. It appears from section 10 of the organic act that your company received a grant of land for terminals, water frontage, and the privilege of importing all sorts of material free of duty. Have you ever estimated the value of these gifts or bonuses?

Mr. VAN HORNE. The only terminal property we ever got was at the Pacific terminus, which was practically valueless.

The CHAIRMAN. The section of the law reads:

In further consideration of the premises the Government shall also grant to the company the lands required for the road bed of the railway and its stations, station grounds, workshops, dock-yards, and water frontage at the termini on navigable waters; buildings, yards, and other appurtenances required for the convenient and effectual construction and working of the railway, in so far as such land shall be vested in the Government.

Mr. VAN HORNE. We never got anything from that except the ordinary right of way over the wild prairie, which was practically valueless. We never got any water frontage from the Dominion Government, because we made use of none that was vested in the Crown.

The CHAIRMAN. The Dominion Government extinguished certain Indian titles in favor of your company, did it not? Can you state the cost or value of this benefit conferred upon your company?

Mr. VAN HORNE. Not so far as I know. Nothing of that kind has been done that I am aware of.

The CHAIRMAN. Does this schedule which I gave you for criticism embrace a loan of $22,500,000 mentioned in section 4 of the act of March 5, 1884?

Mr. VAN HORNE. It is embraced in that. That is one of the transactions in connection with the $35,000,000 loan.

Before leaving this subject I ought to say that I do not quite approve of the reference to 714 miles of railway constructed by the Dominion Government—

Seven hundred and fourteen miles of railroad constructed by the Dominion Government, costing $35,000,000, which was presented to the Canadian Pacific Company as a gift, with interest to June 30, 1887, etc.

It was not presented to the Canadian Pacific Company at all. It was part of the bargain.

The CHAIRMAN. Does this schedule embrace the temporary loan of five millions a year granted to your company by the act of July 20, 1880?

Mr. VAN HORNE. Yes; it embraces all the loans.

The CHAIRMAN. Does it embrace or include a subsidy of a million and a half dollars granted for the purpose of enabling you to secure a line to Quebec?

Mr. VAN HORNE. We never received that.

The CHAIRMAN. The act provided you could get it?

Mr. VAN HORNE. No, it did not provide that the Canadian Pacific could have it, or we would have secured it, probably.

The CHAIRMAN. Railroads generally get all they are entitled to. You say you did not get the money at all?

Mr. VAN HORNE. No, sir; we never received that money.

TRANSCONTINENTAL TRAFFIC.

The CHAIRMAN. I see by reference to your report of 1886 that in the first year of your through traffic your line succeeded in securing a considerable share of the through traffic in competition with the transcontinental lines of the United States, and mostly at remunerative rates. Does that still continue?

Mr. VAN HORNE. We get considerable through-passenger traffic; very little through-freight traffic, it does not pay, and we do not seek it.

The CHAIRMAN. You state in your report:

> Notwithstanding this, our line succeeded in securing a considerable share of the through traffic, mostly at remunerative rates.

Does that refer to freight?

Mr. VAN HORNE. It refers to general traffic.

The CHAIRMAN. It is stated in your report for 1886 that during the first five months of through traffic you transported seven cargoes of tea and other Chinese and Japanese goods, consigned to the principal cities of Canada, and to St. Paul, Chicago, New York, and other cities in the United States. Has that trade continued, and has it increased?

Mr. VAN HORNE. Yes.

The CHAIRMAN. What does it amount to now on your road?

Mr. VAN HORNE. It amounts to sufficient to keep running a line of monthly steamers—steamers of about 2,700 tons capacity.

The CHAIRMAN. It is sufficient to keep them running from where?

Mr. VAN HORNE. From Hong Kong and Yokohama to Vancouver.

The CHAIRMAN. Who owns that line?

Mr. VAN HORNE. The Fairfield Ship Building Company, Scotland.

The CHAIRMAN. Are those subsidized steamers?

Mr. VAN HORNE. No, sir.

The CHAIRMAN. Not subsidized by anybody?

Mr. VAN HORNE. No, sir.

The CHAIRMAN. Have you not a subsidized line of steamers running from China, or Japan, to Vancouver?

Mr. VAN HORNE. No, we have settled the terms of an arrangement, but the contract has never been signed. An arrangement was substantially reached with the Imperial Government by which a subsidy was to be given to a line of fast mail steamers to run between Vancouver and Yokohama and Hong-Kong, touching at the mouth of the Woosung

River, for Shanghai. The contract has never been signed, however, and the line has not been established.

The CHAIRMAN. What share of the transcontinental traffic are you getting in competition with other transcontinental lines?

Mr. VAN HORNE. You mean American traffic?

The CHAIRMAN. Traffic from the West to the East, including the China trade.

Mr. VAN HORNE. I should say we were getting, including the Pacific coast trade, and counting the Australian trade, and that of China and Japan, 10 or 12 per cent.

The CHAIRMAN. Of the total?

Mr. VAN HORNE. Yes, I doubt if we are getting 12 per cent. though. It is about 10 per cent., I should think.

The CHAIRMAN. You state in your report for 1886 that—

> Negotiations are in progress with the Imperial Government for the establishment of a first-class line of steam-ships between Vancouver and China and Japan, and the imperial interests involved in these questions are so important that there can be no doubt of a satisfactory result.

Will you be so kind as to inform the committee if the arrangements referred to were carried out, and precisely the nature of the imperial interests referred to?

Mr. VAN HORNE. That is what I just referred to. The contract has never been signed. The terms have been practically agreed upon, but the contract has never been signed.

The CHAIRMAN. Do you apprehend it will be?

Mr. VAN HORNE. I hope it will.

The CHAIRMAN. What are those terms?

Mr. VAN HORNE. The steamers are to be capable of making 17½ knots an hour on trial, and they are to run at such times as may suit the purposes of the Imperial Government for mails and under the usual mail-system contract. They are to be fitted—as all steamers subsidized by the British Government are now required to be fitted—with gun-platforms, so as to be useful in case of war. They are simply constructed so that they can carry one or two guns in case of necessity.

The CHAIRMAN. What is the amount of the subsidy, if the contract is made?

Mr. VAN HORNE. Sixty thousand pounds per annum—$300,000 a year—which includes the railway transportation from Halifax to Vancouver, back and forth. It would probably be about half for the railroad and half for the steamers.

The CHAIRMAN. Is it the design of the company and the Government to make a faster line than you have had heretofore between China and Japan?

Mr. VAN HORNE. Yes, that is what we hope to do.

The CHAIRMAN. How much better time do you expect to make than you make at present?

Mr. VAN HORNE. We hope to be able to take passengers in London and land them at Yokohama in twenty-one or twenty-two days.

The CHAIRMAN. What is the time required now for that trip?

Mr. VAN HORNE. The time by way of the Suez Canal from London to Yokohama, is about thirty-eight or thirty-nine days. We can make it now somewhat quicker than that. The Suez Canal is our chief competitor.

The CHAIRMAN. How long does it take to go from London to Yokohama, going across the continent, as the route exists now?

Mr. VAN HORNE. About thirty days, I think. It may be more than

that to London. I think the steamers make the trip ordinarily from Yokohama to San Francisco in about sixteen days, as I understand it—I am not personally familiar with that—and it takes about six days to cross the continent, making twenty-two days; then six days across the Atlantic, and you have to allow for delays.

The CHAIRMAN. You will save about eight days' time by this new arrangement, if you complete it.

Mr. VAN HORNE. Yes; but we will save more than that as against our chief competitor, because the bulk of the British business goes by way of the Suez Canal.

The CHAIRMAN. This line referred to in your report, I believe, is referred to as a—

Permanent line of first-class steam-ships, suitable for service as armed cruisers in case of need.

Why were vessels of the type "armed cruisers" ordered for this service?

Mr. VAN HORNE. That is the rule. The British Government requires that all steam-ships which receive mail subsides shall be so fitted. The Cunarders are fitted in the same way. Your own Inman boats are fitted in this same way under their contract with the Imperial Government. The Imperial Government has the right to take them in case of war. This plan grew out of the excessive prices which it had to pay for armed cruisers and troop-ships during the last war scare with Russia, and it is with reference to Russia especially, I think, that they want the ships fitted as armed cruisers.

The CHAIRMAN. The report states, further, that the Canadian Pacific Railway, of which you are president, was built to preserve to Canada and its seaports the carrying trade, and also for the accomplishment of certain imperial objects which are previously referred to in the report. That is true, is it not?

Mr. VAN HORNE. I do not think any report of ours says that. The Canadian Pacific was built for the purpose of making money for the share-holders and for no other purpose under the sun.

The CHAIRMAN. The report states that the temporary steam-ship service between Vancouver and Yokohama and Hong-Kong, referred to in your last annual report, has fully justified the expectations of your directors as to the value and the importance of the trade to be developed in that direction. The negotiations then in progress with the Imperial Government for the establishment of a permanent line of first-class steam-ships suitable for service as armed cruisers in case of need resulted in an official notification early last autumn that Her Majesty's Government had decided to grant a subsidy of £ 0,000 per annum for a monthly service between Vancouver and Hong-Kong via Yokohama——

Mr. VAN HORNE. How many pounds?

The CHAIRMAN. Sixty thousand pounds per annum.

Mr. VAN HORNE. Did I understand you to say that you are reading quotations from the reports of the company?

The CHAIRMAN. No, sir; but it is practically so. This is the Canadian Pacific report [exhibiting], and you refer to this line in it.

Mr. VAN HORNE. But not in those terms.

The CHAIRMAN. It refers more especially to the steam-ship line than to the Canadian Pacific.

Mr. VAN HORNE. But not in those terms.

The CHAIRMAN. When will the new steam-ship line connect with your short line across the State of Maine?

Mr. VAN HORNE. The Canadian Pacific has nothing to do with that.

The CHAIRMAN. Have you any knowledge of the proposed subsidized line?

Mr. VAN HORNE. No, sir; but I infer from the newspapers and from conversations I have had that no arrangements have been made as yet. I know that the Dominion Government obtained authority from Parliament at its last session to negotiate for a fast line of steamers for this service.

The CHAIRMAN. I was going to ask you if it were not true that the Canadian Government adds to the sixty thousand pounds of subsidy so as to make it nearer $400,000 a year than $300,000?

Mr. VAN HORNE. No, sir. They contributed £15,000 per annum in addition to the £60,000. That is an arrangement between the Imperial and Dominion Governments. The Government of Canada contributed an amount to the Imperial Government to represent its interest in the mails to be carried by the line.

The CHAIRMAN. I suppose these ships will carry all kinds of freight as well as the mails?

Mr. VAN HORNE. Yes, sir.

The CHAIRMAN. Including provisions, grain—dead freight, as you call it—all kinds of freight?

Mr. VAN HORNE. Yes, sir; I suppose so.

The CHAIRMAN. What sort of steamers are they to be, do you know?

Mr. VAN HORNE. They will be boats, I presume, something like the North German Lloyd steamers. They are to be boats of that description.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

The CHAIRMAN. Mr. Van Horne, during the examination this morning reference was made to the relationship and the control on either side of the Canadian Pacific by which the road could be run to Winnipeg through the Canadian country. There was some controversy between the people of the Winnipeg region and the Dominion Government, was there not?

Mr. VAN HORNE. Subsequently, or previously?

The CHAIRMAN. Before the road was built and before they were allowed to build it. Finally the right was given to build it, and the Dominion Government satisfied the Canadian Pacific, as I have been given to understand, by giving them a bonus some way or other in money or land. Was that so, or not?

Mr. VAN HORNE. No; they simply guaranteed the interest on $15,000,000 by 3½ per cent. land-grant bonds—something that would never cost the Dominion Government a cent.

The CHAIRMAN. In this report of the Canadian Pacific Railway for the year 1887, there is an agreement between the Dominion of Canada on the one part and the Canadian Pacific Railway Company on the other part. It goes on to say:

Whereas it has been agreed between the Government and the company, amongst other things, that the restrictions contained in clause 15, of the contract dated the 21st day of October, 1880, and executed between the Government and the said Sir George Stephen and others on behalf of the company, shall be removed, and that in order to enable the company, notwithstanding such removal, to preserve to Canada and its seaports the carrying trade for which the Canadian Pacific Railway was designed and constructed, the Government shall assist the company in the manner and upon the conditions hereinafter described, in obtaining funds wherewith to perfect its connections, increase its rolling stock, etc.

And then again:

The Government agrees to guarantee the payment of interest up to the time of maturity on bonds of the company, to be hereafter issued, to an amount not exceeding in the aggregate $15,000,000, or its equivalent in sterling money, the principal to be payable not later than fifty years from their date, and the interest thereon to be payable half yearly at the rate of three and one-half per centum per annum, such bonds to be secured, as hereinafter specified, on the unsold lands to which the company is still entitled out of the subsidy of 25,000,000 acres mentioned in the said contract, and which unsold lands are now estimated at 14,934,238 acres.

That seems to be a contract that was executed about the time the people of Winnipeg or Manitoba demanded that lines be built into that country.

Mr. VAN HORNE. I do not know whether it was by reason of that. This monopoly clause was obnoxious to the people of Manitoba, as monopolies of that kind are obnoxious to Anglo-Saxons everywhere; they desired to get rid of it, and this contract was entered into.

The CHAIRMAN. What did the Canadian Pacific Railway cost in toto?

Mr. VAN HORNE. It cost, leaving out the cost of the 714 miles built by the Government, about which we know nothing—that is, as to the legitimate cost—about $153,000,000 exclusive of the leased lines. That is, the Canadian Pacific Railway Company has charged that amount to the cost of the road. Of course that is taking the stock at its face value. Only about half of that was realized upon the capital stock itself. I presume the actual money put into the Canadian Pacific, aside from its leased lines and outside of the 714 miles constructed by the Government, was about $120,000,000 in cash. From $85,000,000 to $88,000,000 was private capital and the balance was Dominion subsidy and proceeds of land sales.

The CHAIRMAN. I see here a section, taken I suppose from the charter, which reads as follows:

The capital stock of the company is $100,000,000, upon which the Dominion Government has guaranteed a minimum dividend of 3 per cent. per annum for ten years, the company having placed with the government a sum which, at 4 per cent. interest, will be equal to the dividend on the stock at 3 per cent. for ten years.

What have you to say as to that?

Mr. VAN HORNE. That must be an old item. After that the capital was reduced to $65,000,000 at the time the government authorized the company to issue $65,000,000 in bonds on the road. This guarantee was simply an annuity purchased by the company for its shareholders. They deposited with the Dominion Government $16,800,000, upon which the government agreed to pay to its shareholders twenty semi-annual installments of 1½ per cent. each. This sum of $16,800,000, at 4 per cent., would afford just the amount required to pay the twenty semi-annual installments of 1½ per cent. on $65,000,000.

The CHAIRMAN. I will not take up any more of your time in regard to the capital of your road or its credit, or the manner in which it was built.

Can you tell us the total value of the business of your road, taking the whole trunk-line?

Mr. VAN HORNE. The gross receipts last year were $13,195,535. Those were the receipts of the Canadian Pacific lines proper, not including any outside lines in which the company or its friends might be interested.

The CHAIRMAN. Does that include the line running through the State of Maine?

Mr. VAN HORNE. That was not in operation then.

The CHAIRMAN. What were the net earnings?

Mr. VAN HORNE. The net earnings were $3,870,774. That is taken from our annual report of last year.

The CHAIRMAN. Those were the actual earnings received from the carrying of freight and passengers over that road?

Mr. VAN HORNE. Yes; and the telegraph and express business, etc. We own all those things.

The CHAIRMAN. Does that include any subsidized ship lines?

Mr. VAN HORNE. We have no ship lines of any description. It includes the earnings of our lake steamers.

The CHAIRMAN. Where do the lake steamers run?

Mr. VAN HORNE. They run between the Owen Sound and Port Arthur, connecting our Ontario lines with our western division beyond Lake Superior.

RATES ON THE CANADIAN PACIFIC.

The CHAIRMAN. Can you give the rates per ton per mile on the through business on your road?

Mr. VAN HORNE. I have not the through business separate from the rest. The earnings per ton per mile on freight last year were one and two one-hundredths of a cent per ton per mile.

The CHAIRMAN. Local and through business together?

Mr. VAN HORNE. Yes, sir; everything.

The CHAIRMAN. What is it on through business alone?

Mr. VAN HORNE. I could not tell you.

The CHAIRMAN. Could you furnish it on the through business alone?

Mr. VAN HORNE. I presume we could figure it out. It is rather difficult to say what is through business, and what is not. Practically a consignment from the Pacific coast to a point 20 miles out from Montreal would be through business, but technically it would be local business. I do not know how we could very accurately define it.

The CHAIRMAN. How much difference in charges is there between what you technically call through business and local business?

Mr. VAN HORNE. I presume there is not very much at present. It is rather uniformly graded now on the bulk of the business.

The CHAIRMAN. By what are you governed in carrying freight from the Pacific Ocean eastward?

Mr. VAN HORNE. Do you mean Canadian freight?

The CHAIRMAN. Any freight that you get at Puget Sound or anywhere else on the coast.

Mr. VAN HORNE. We are governed in the first place by the cost of the transportation.

The CHAIRMAN. Are you always governed by that?

Mr. VAN HORNE. We never take anything for less than it costs to carry it if we know it, except that we have for special reasons taken a few consignments from the Pacific coast to the East at a good deal less than the cost of transportation.

The CHAIRMAN. Why did you do that?

Mr. VAN HORNE. To resent attacks on us at Victoria, B. C., by the Northern Pacific and our other neighbors at the South.

The CHAIRMAN. Are you governed by any schedule of rates by which other roads operate, or do you make your schedules of rates irrespective of any other line or lines?

Mr. VAN HORNE. We act with all the transcontinental lines.

The CHAIRMAN. Have you any association?

Mr. VAN HORNE. There is a transcontinental association.

The CHAIRMAN. Where are the headquarters of this transcontinental association?

Mr. VAN HORNE. I do not know. There is to be a meeting of it in a few days at St. Louis. I think the headquarters of it are at St. Louis.

The CHAIRMAN. And you are governed by that association, which is composed of the several transcontinental lines running across the continent, American as well as Canadian?

Mr. VAN HORNE. Yes.

The CHAIRMAN. Do you adhere to the rates?

Mr. VAN HORNE. I think we do religiously.

The CHAIRMAN. You take a consignment at Puget Sound at very much less than you take a consignment 500 miles this side of Puget Sound coming east, do you not?

Mr. VAN HORNE. No. Our local rates in Canada have been graded down to meet the requirements of the United States interstate-commerce act.

The CHAIRMAN. Do you pay any attention to that act?

Mr. VAN HORNE. Yes, we are as strictly bound by it as if we were operating in the United States.

The CHAIRMAN. With respect to goods that you take at Puget Sound, or goods that you get in the United States and take to Montreal, do you regard the interstate-commerce act?

Mr. VAN HORNE. Yes, sir; we regard every pound of it as subject to the interstate-commerce act.

The CHAIRMAN. Suppose it comes down to the United States at any other point; do you carry much freight east from Winnipeg that goes down to St. Paul?

Mr. VAN HORNE. We do not carry much freight from San Franscisco or Portland by way of Winnipeg to St. Paul.

The CHAIRMAN. Where do you get it?

Mr. VAN HORNE. The freight we send to St. Paul, Chicago, etc., is trans-Pacific freight.

The CHAIRMAN. You mean it comes from a foreign country and lands on your own soil, and you carry it to Winnipeg, and then it drops down to St. Paul, Chicago, etc.?

Mr. VAN HORNE. Yes. We may have a consignment now and then from a Puget Sound point to St. Paul and Chicago, and now and then a consignment from Alaska. We are better situated as to the Alaska trade than the American roads.

The CHAIRMAN. Take goods that are received on Canadian territory and sent down to St. Paul or Minneapolis or Kansas City; do you ever get goods consigned in that way?

Mr. VAN HORNE. From the West?

The CHAIRMAN. From the West.

Mr. VAN HORNE. I do not think we have for a good while. We had a little fight out on the Pacific coast at one time, and we took freight for pretty much everywhere to show that we were around, but we do not do that for a living.

The CHAIRMAN. I am informed that merchants at Omaha and Denver could get goods that come originally from the West cheaper over your line from the North than they could get them by the Union Pacific, for instance, coming straight through.

Mr. VAN HORNE. I think they could once for about two weeks.

The CHAIRMAN. Has that practice been entirely broken up?

Mr. VAN HORNE. It only lasted a little while. It was the result of a little row we had out on the Pacific coast. I believe it started from

attempts at poaching on our territory. We threw a stone through their plate-glass windows to remind them that it would not do.

The CHAIRMAN. What do you call your territory?

Mr. VAN HORNE. British Columbia. I will say this, that we did not quote a rate south of the international boundary on the Pacific coast until our rates in British Columbia were broken by the transcontinental lines, and when we heard of that we sent agents down to Portland and other points, and made it just as interesting as we could for a little while.

The CHAIRMAN. And the result was that you came together and settled the matter?

Mr. VAN HORNE. Yes, sir.

The CHAIRMAN. So you state now that you are carrying freights as other transcontinental lines, and under agreements with them?

Mr. VAN HORNE. Yes; but there may be a differential on some traffic.

The CHAIRMAN. But that differential is agreed to by them, is it?

Mr. VAN HORNE. Yes; it is agreed to by them.

THE TRADE WITH CHINA AND JAPAN.

Senator GORMAN. It has been stated in some of the English publications that by your steam-ship line on the Pacific to Vancouver and by your railroad line to Halifax, and then by a line of steamers to connect with you there, you have about two days advantage in point of time between Japan and Liverpool over any other route. How is that?

Mr. VAN HORNE. I do not think we regard the American lines as our competitors in the China and Japan trade. So far our chief competitor has been the Suez Canal. Our business from China and Japan has been taken almost wholly from the Suez Canal. There is more business done between San Francisco and Tacoma and China and Japan than before we opened. But the trade between China and Japan and Canada and the United States, via the Suez Canal, has fallen off 75 per cent. since we opened. The business we do is not done at the expense of the American lines. I presume with our fast Atlantic service, and with our geographical advantages, we would be able to make with relatively the same speed on land and on the Atlantic two or three days better time possibly than can be made by way of San Franscisco.

Senator BLAIR. What has been the diminution of British trade by way of Asia?

Mr. VAN HORNE. Between Japan and China and the United States and Canada, passing through the Suez Canal, it has been reduced 75 per cent.

Senator GORMAN. That comes from the establishment of this line of steamers that you have on now.

Mr. VAN HORNE. I think that is the cause of the increase by way of the American and Canadian ports on the Pacific coast. It set the lines running from San Francisco and Tacoma a little more actively at work and between us all we have carried across about twice the amount. I think the traffic has doubled over any period before we opened.

Senator GORMAN. Now as to the through trade to Liverpool, I understand you to say you have from two and a half to three days' advantage.

Mr. VAN HORNE. That is respecting passengers; we expect never to have any freight business between Liverpool and China and Japan. Not even tea. We carried three or four chests to Liverpool once to show what we could do, but it does not pay. The English teas are from China. They do not use any Japanese teas. Not one-hundredth of 1

per cent. of the teas they use are Japanese teas. In fact I think only one-half ton of Japanese tea was used in one year by England. The Japanese trade in teas is with Canada and the United States, and not with England.

Senator GORMAN. So you are looking for the development of the passenger trade and you rely upon that for compensation?

Mr. VAN HORNE. As far as Great Britain is concerned we rely upon that.

Senator GORMAN. Taking New England and New York points, what would be the difference in time from the United States?

Mr. VAN HORNE. Assuming that there are just as fast vessels running from San Francisco and China, the difference will not be much. We have a few hundred miles advantage in distance, but the time depends on the engines a good deal.

Senator GORMAN. What difference will that make in the rate of freights as between your ships and American ships?

Mr. VAN HORNE. It will not be much. Our boats are more expensive to build. The difference in subsidy will not cover the difference, I think. That is, what subsidy there is that is applicable to the ocean part of the service. This subsidy covers not only the transportation of mails across the Pacific but across the continent between Halifax and Vancouver.

Senator GORMAN. Still there are £30,000 per annum left for that service.

Mr. VAN HORNE. I assume that it would divide about equally. Really the railway will get the whole benefit of it. It costs just as much to send the steamer across whether it carries the mails or not, but in carrying mails across the continent we have the hauling four times a month of what would be equivalent to hauling a car four times a month some 3,500 miles; say 14,000 car miles a month.

PACIFIC COAST TRAFFIC.

Senator GORMAN. I understood you to say that up to this time the through trade over your road from the Sound port does not pay.

Mr. VAN HORNE. From the United States coast south the freight business does not pay.

Senator GORMAN. Why?

Mr. VAN HORNE. Well, the rates are too low for the distance. We have heavy arbitraries to pay at both ends. We have to pay on the San Francisco freight an arbitrary rate to the Pacific Coast Steam-ship Company for bringing freight up to Vancouver, and after we get it to the St. Lawrence frontier we have to pay arbitraries to the American lines leading to New York and other points east.

Senator GORMAN. Do you own the line of steamers between San Francisco and Vancouver?

Mr. VAN HORNE. It belongs to the American company at San Francisco, and they charge there what they like.

Senator GORMAN. Did not your road establish that line?

Mr. VAN HORNE. It was in existence years before the Canadian Pacific was heard of.

Senator GORMAN. Between where?

Mr. VAN HORNE. Between San Francisco and Victoria, British Columbia, and I think it is yet enjoying a Canadian subsidy for keeping up the trade between San Francisco and British Columbia.

Senator GORMAN. How much is that subsidy?

Mr. VAN HORNE. I think $15,000 or $20,000 a year.

Senator GORMAN. Are they weekly or daily steamers?

Mr. VAN HORNE. Weekly steamers.

Senator GORMAN. You say it is an American line?

Mr. VAN HORNE. A San Francisco line.

Senator GORMAN. How much tonnage do you get from San Francisco, taking the tonnage of last year?

Mr. VAN HORNE. I do not know. It was not very much; in fact I have never seen any statistics covering it. It is nothing that we ever deemed important enough to keep account of.

Senator GORMAN. Can you furnish a statement showing that?

Mr. VAN HORNE. If you would like such a statement of course we can furnish it.

Senator GORMAN. You may incorporate it in your statement before the committee.

Mr. VAN HORNE. The statistics of the entire "State to State" freight traffic carried by the Canadian Pacific Railway for the years 1887 and 1888 are as follows, and to these I have added the freight traffic statistics of the Transcontinental Association for the first full twelve months after its organization, namely from 31st January, 1888, to 31st January, 1889.

States to States freight traffic carried by the Canadian Pacific Railway Company via Vancouver.

	Tons.	Earnings.
In 1888	12, 852½	$214, 811. 90
Total transcontinental tonnage carried by all the transcontinental association lines for twelve months ending January 31, 1889	744, 921	17, 146, 641. 24
Percentage of interstate transcontinental tonnage handled by the Canadian Pacific Railway Company during above period	0172	0125
Via Sault Ste. Marie, from February 22 to December 31, 1888	61, 241	$153, 780. 13

Statement of interstate tonnage via Vancouver to and from Puget Sound and San Francisco.

Consigned via—	West bound.		East bound.	
	1887.	1888.	1887.	1888.
	Tons.	*Tons.*	*Tons.*	*Tons.*
Montreal	1, 381	1, 973	1, 106	121
Montreal Junction	.....	105	437	1, 778
Brockville	643	2	622	.....
Newport	.....	450	.....	.....
Prescott	131	1, 318½	164	861
Ottawa	48	1	841	7
St. Polycarpe	.....	81½	.....	42
St. Thomas	.....	.....	39	.....
Toronto	6	1	.....	.....
Emerson	2, 685	4, 764	6, 442	1, 217
Gretna	.....	130½	.....	.....
Total	4, 894	8, 826½	9, 651	4, 026

Grand total:	Tons.
1887	14, 545
1888	12, 852½

Statement of interstate tonnage via Sault Ste. Marie, east and west bound from opening of line, February 22, 1888, to December 31, 1888.

Consigned via—	West bound.	East bound.
	Tons.	*Tons.*
Montreal	360	15,727
Newport	3,512	2,658
St. Polycarpe	5,721	21,423
Prescott	2,512	9,326
Total	12,105	49,134
Grand total		61,240

Statement of tonnage carried by all lines in the Transcontinental Association for the year ending January 1, 1889.

	Tons.
West bound	509,724
East bound	235,196
Total	744,920

I beg leave to draw particular attention to the fact that of the 744,921 tons carried by the Transcontinental Association for the year ending January 31, 1889, the earnings from which were $17,146,641, the Canadian Pacific Railway carried 1.72 per cent. of the tonnage and received 1.25 per cent. of the earnings.

Owing to the large number of tourists traveling by the Canadian Pacific Railway and to the large emigration to the northern part of Washington Territory, near its Pacific terminus, its proportion of the "States to States" passenger traffic was considerably greater than its proportion of the "States to States" freight traffic, but this proportion was less than 5 per cent. of the total number of "States to States" passengers carried by the Transcontinental Association. The exact percentage can not be stated because of the impossibility of distinguishing between States and Canadian passengers ticketed locally to and from our Pacific terminus and to and from eastern Canadian terminal points.

Statement of interstate tonnage via Vancouver to and from San Francisco, year ending December 31, 1888.

Consigned via—	West bound.	East bound.
	Tons.	*Tons.*
Montreal	1,655	70
Montreal junction	92	1,688
Brockville	2	.....
Newport	419	.....
Prescott	1,097	835
Ottawa	1	7
St. Polycarpe	81	42
Toronto	1	.....
Emerson	2,558	1215
Gretna	96	.....
Total	6,003	3,857

Correct.

W. R. MACINNES.

Senator GORMAN. Those goods all come to you under bond, as a matter of course?

Mr. VAN HORNE. Yes.

Senator GORMAN. What is the operation? I suppose, of course, they come in bulk in the hold of the vessel and then the goods are transferred to your cars.

Mr. VAN HORNE. Transferred to our cars.

Senator GORMAN. Of course when these goods are being transferred to the cars a United States officer is present.

Mr. VAN HORNE. I am under the impression that there is a United States officer at Vancouver, or an officer representing the collector at Port Townsend, which is not far away.

Senator GORMAN. And your cars are sealed there?

Mr. VAN HORNE. I do not know. I am not familiar with the details of moving that freight. The necessary steps are taken for the identification of it when it re-enters the United States at the St. Lawrence frontier.

Senator GORMAN. Your road gives bond to the Government?

Mr. VAN HORNE. The Pacific Coast Steamship Company gives the bond and we indemnify them.

Senator REAGAN. There is a notice that has to be put upon the ships, I believe.

Mr. VAN HORNE. They give some sort of a general bond I know, because we have to give them a bond of indemnity.

Senator REAGAN. I know, as a relief for a good deal of detail, they label the ships.

Senator GORMAN. I was aware of that, and that is why I wanted to get from Mr. Van Horne the exact details. Do you think it is under the direction of a United States officer and that the United States is protected, Mr. Van Horne?

Mr. VAN HORNE. Yes, sir.

OBJECT OF THE CANADIAN PACIFIC SUBSIDIES.

Senator GORMAN. Now is it not a fact that the inducement for granting this immense subsidy to the Canadian Pacific, is the building up of a great through line between Asia and Europe?

Mr. VAN HORNE. I think so far as the British Government is concerned, their inducement is to have on the Pacific Ocean as many ships, which may be serviceable in case of war, as possible. I think that is their chief object. They do not care much about saving a week or two with the mails. I presume that you are probably aware of the jealous watchfulness of both Great Britain and Russia, each of the other, on the Pacific, and that Great Britain seeks to keep herself as strong as possible on the Pacific and prepared to meet an emergency. I think that the moving cause of our getting the subsidy from the Imperial Government was that consideration. Of course the commercial advantage of shortening the mail communication a week or ten days between Yokohoma, Shanghai, and Hong Kong, and Great Britain, is of great importance as well, but they could not be moved by that argument alone. Of course in trying to get a subsidy we used every argument that we could think of.

So far as the Canadian Government is concerned, the Canadian people generally take a great pride in the Canadian Pacific Railway. They look upon it as their great national enterprise. It is the greatest enterprise that was ever carried out in their country. It connects together all their provinces. I think a great majority of the people are very anxious to see it succeed.

Senator GORMAN. So that it has two objects, one military and political and the other purely commercial?

Mr. VAN HORNE. Yes; but so far as the Canadian Pacific Railway Company are concerned, as I said before, their only object is to make the most money they can out of the Canadian Pacific Railway for their

share-holders. They are not moved by sentiment or political considerations very much.

Senator GORMAN. That is the private share-holder?

Mr. VAN HORNE. The private share holder and the directors, and I can speak for the president, too.

OBSERVANCE OF THE INTERSTATE-COMMERCE LAW.

Senator GORMAN. I understood you to say a moment ago that, in point of fact, the Canadian Pacific observed the requirements of the interstate-commerce law. What do you mean by that?

Mr. VAN HORNE. I mean that all United States freight and all freight we take from one point in the United States going into Canada and freight from Canada into the United States to another point in the United States, is carried in conformity to the provisions of the interstate commerce act, so far as we understand those provisions.

Senator GORMAN. That is to say, you publish your rates on the roads located within our territory?

Mr. VAN HORNE. Yes.

Senator GORMAN. And you take the freight through to the point of destination without giving rebates or drawbacks of any description.

Mr. VAN HORNE. Yes, sir. I believe we fully comply with the requirements of the act in that respect. Every agent we have working on United States territory, as I understand the law, is liable to imprisonment if we fail to do so.

Senator GORMAN. What portion of the dead freight goes through from your sea-port to Europe?

Mr. VAN HORNE. We have done practically none of that business. Of the export business from United States points to Great Britain we have not much. It is almost infinitesimal. There is nothing in it. We have not sought the business. We are building a line to the Detroit River now, and possibly we may try to get some of it when it pays.

Senator GORMAN. You observe the provisions of our law upon that trade alone.

Mr. VAN HORNE. Yes, sir.

Senator GORMAN. But how as to the other branch, where our roads are required not to charge more for a shorter haul than a longer haul? Do you observe that as to all freight going over your road, no matter where it originates?

Mr. VAN HORNE. I think it is observed all the way through. I remember overhauling our traffic department only a few months ago for a reduction of rates in the interior of British Columbia, and I was told that it had to be done on account of the interstate-commerce act. Our intermediate rates were governed by the provisions of that act as well as the intermediate rates of railways in the United States. I do not know but that we have misconstrued the law in that respect.

Senator GORMAN. You do not mean to say that you apply that principle to freight originating in Canada for delivery to points in Canada?

Mr. VAN HORNE. Yes, sir. We have no higher intermediate rate than the rate we get on State to State traffic carried over the same line, so I am informed by our traffic department.

Senator GORMAN. So you voluntarily enforce the long and short haul clause?

Mr. VAN HORNE. We had to do it or stay out of the business, as we construed the law. We did not want to pay the fines or have our agents go to prison. I think our tariff manager was so advised, and he made

his tariffs in accordance with this advice. This was the case only a short time ago. I do not think there has been any change or I should have heard of it.

CONTROL OF THE SAULT STE. MARIE BRIDGE.

Senator GORMAN. The chairman asked you about the control of the bridge over the Sault Saint Marie. I heard your statement about various roads centered there in which you have an interest. Is it not a practical fact, notwithstanding the two or three organizations, that your road has absolute control of that bridge. I ask you if that is not the fact without going into the technicalities of it. Is it not the fact that the men who control the Canadian Pacific have the absolute control of that bridge and determine the conditions upon which any other line may enter and cross it?

Mr. VAN HORNE. If the friends of the Canadian Pacific, who are interested in the Washburn road or the Atlantic or St. Paul and Sault Saint Marie Railways, were to act together with the Canadian Pacific they undoubtedly would control that bridge.

Senator GORMAN. And that, in point of fact, as we understand it in business affairs, puts it absolutely under one control?

Mr. VAN HORNE. No, sir. We have never ventured to act in any matter connected with the Sault Saint Marie bridge without the consent of the other lines.

Senator GORMAN. I understand that you go through with the form of it.

Mr. VAN HORNE. We do not take any more trouble than we can help.

Senator GORMAN. As I supposed, but if the Canadian Pacific governs the policy that controls the traffic of that bridge, is not your resolution or determination absolute?

Mr. VAN HORNE. So far as my detemination as the president of the Canadian Pacific is concerned, I can say it is absolutely one-half.

Senator GORMAN. But you can step over into the adjoining office and control a road that gives you three-fourths of it.

Mr. VAN HORNE. If it were anything within reason I could safely count on controlling it, I think. If I were to go to our friends who are interested in those roads and satisfy them that my position was right in the matter I could control it without any doubt.

Senator REAGAN. I believe I understood you to say that your road was a member of the Transcontinental Traffic Association.

Mr. VAN HORNE. Yes, sir.

Senator REAGAN. What other roads are members of that association?

Mr. VAN HORNE. I do not know that I can name all of them, as I am not familiar with the every-day details of the association. The chief parties to it are the Central Pacific, the Union Pacific, I believe; the Southern Pacific I know; and the Canadian Pacific. There are some other roads representing portions of transcontinental lines.

Senator REAGAN. What arrangement is made, can you state to us, for the division of traffic among those roads?

Mr. VAN HORNE. I do not think there is any arrangement for the division of traffic. It is a good deal like the Trunk Line Association which Mr. Roberts described to you this morning.

Senator REAGAN. I believe that differentials are allowed as between these roads?

Mr. VAN HORNE. Yes; but I do not know as to what extent. I do not know how they are arranged. In some particular cases we get differentials.

Senator REAGAN. Do you know what the general average of differentials in favor of your road is as against the others?

Mr. VAN HORNE. No. I only know that in proportion to the distance the differentials are quite small.

Senator REAGAN. Is it as much as 20 per cent.?

Mr. VAN HORNE. Oh, no.

Senator REAGAN. Is it not as much as 25 per cent.?

Mr. VAN HORNE. No, sir; it is not.

Senator REAGAN. Will you state the basis upon which these differentials are allowed and the reason for it?

Mr. VAN HORNE. Just the same reason as prevailed for the differential allowed by the Trunk Line Association to the Erie road and for the differentials which have been allowed among the other trunk-lines in times past. It is an old precedent.

Senator REAGAN. That is a good answer, but we do not understand it.

Mr. VAN HORNE. I was going to explain it further. It is for the purpose, really, of preserving peace. A railway that is under a disadvantage in point of time or capacity is not able to get any portion of the traffic, but as they are bound to make the best use they can of their property and to take advantage of every opportunity to get some earnings, it has been found best in many cases to allow to roads under such disadvantage a differential that will enable them to pick up about their proper proportion of the traffic.

DIRECTORS OF THE CANADIAN PACIFIC LINES.

Senator GORMAN. Can you furnish the committee—not now, but you can insert it in your statement—the directors for 1888-'89, of all the lines that you are interested in by stock, lease, or otherwise, or that you control, including the road through Maine?

Mr. VAN HORNE. Do you mean of all the roads in the United States in which the Canadian Pacific Railway Company as a company has any interest?

Senator GORMAN. Yes; either by the ownership of stock, lease, or otherwise.

Mr. VAN HORNE. All right, sir, I will do so.

The statement is as follows:

The directors of the International Railway of Maine (leased to the Canadian Pacific Railway Company) are—

Mr. W. C. Van Horne, President, Montreal.
Mr. T. G. Shaughnessy, Vice-President, Montreal.
Sir George Stephen, Bart., Montreal.
Sir Donald A. Smith, K. C. M. G., Montreal.
Mr. George Olds, Montreal.
Mr. E. R. Burpee, Bangor, Maine.
Mr. Charles F. Woodard, Bangor, Maine.

The names of the directors of the Minneapolis, St. Paul, and Sault Ste. Marie Railway and the Duluth, South Shore and Atlantic Railway, in which the Canadian Pacific is not interested as a company, are also given for the information of the committee.

Minneapolis, St. Paul and Sault Ste. Marie Railway:
Hon. W. D. Washburn, Minneapolis, Minnesota.
Thomas Lowry, Minneapolis, Minnesota.
R. B. Langdon, Minneapolis, Minnesota.
Jno. Martin, Minneapolis, Minnesota.
C. H. Pettit, Minneapolis, Minnesota.
H. E. Fletcher, Minneapolis, Minnesota.

Minneapolis, St. Paul and Sault Ste. Marie Railway—Continued.
O. C. Merriam, Minneapolis, Minnesota.
Hon. J. S. Pillsbury, Minneapolis, Minnesota.
W. Gregory, Minneapolis, Minnesota.
Hon. M B. Koon, Minneapolis, Minnesota.
A. H. Linton, Minneapolis, Minnesota.
H. C. Sidle, Minneapolis, Minnesota.
J. C. Oswald, Minneapolis, Minnesota.
President, Hon. W. D. Washburn.
Vice-President, Thomas Lowry.
Duluth, South Shore and Atlantic Railway.
Hon. James McMillan, Detroit, Michigan.
Sir George Stephen, Bart., Montreal, Canada.
W. C. Van Horne, Montreal, Canada.
Sir Donald A. Smith, K. C. M. G., Montreal, Canada.
George I. Seney, New York.
Calvin S. Brice, New York.
John G. Moore, New York.
John W. Sterling, New York.
Sam'l Thomas, New York.
Richard J. Cross, New York.
Thomas W. Pearsall, New York.
President, Hon. James McMillan.
1st Vice-President, Calvin S. Brice.
2nd Vice President, W. C. Van Horne.
The following are the directors of the Canadian Pacific Railway Company:
Sir George Stephen, Bart., Montreal.
Mr. Wm. C. Van Horne, Montreal.
Sir Donald A. Smith, K. C. M. G., M. P., Montreal.
Mr. Richard B. Angus, Montreal.
Mr. Edmund B. Osler, Toronto.
Mr. Sandford Fleming, C. E., C. M. G., Ottawa.
Mr. R. V. Martinsen, Amsterdam and New York.
Hon. W. L. Scott, Erie, Pa.
Mr. George R. Harris, Boston.
Hon. J. J. C. Abbott, Q. C., Montreal.
Hon. George A. Kirkpatrick, M. P., Kingston.
Mr. Richard J. Cross, New York.
Mr. Wilmot D. Matthews, Toronto.
Hon. Donald A. MacInnes, Hamilton.
Mr. Thomas Skinner, London.
President, Mr. W. C. Van Horne.

SUBSIDIES TO CANADIAN AND AMERICAN LINES COMPARED.

Mr. VAN HORNE. I would like, if you will permit me, Mr. Chairman, to make one or two points clear that seem to be very generally misunderstood, especially about the matter of subsidies to the Canadian Pacific Railway in Canada.

The CHAIRMAN. We will be pleased to hear you

Mr. VAN HORNE. The amounts that I have spoken of here in the way of subsidies are applicable to the Canadian Pacific line from Lake Nipissing west to the Pacific Ocean. They have no relation to any railway; they were not given to promote the building of any railway that came in competition with eastern trunk-lines, and they should only be considered in connection with the line in competition with the American Pacific lines.

These subsidies amounted, as I have said, to thirty-five millions in cash and eighteen million acres of land for a line commencing at Lake Nipissing and running to the Pacific Ocean. The Northern Pacific, for a railway only half way across, got forty-six million acres of land with an infinitely easier line to construct. The Union Pacific was a still easier line to construct than the Northern Pacific; so that it will be found that the subsidies given to our railway are very much less in pro-

portion to what they had to do than those given by the United States to the Northern Pacific, and, I think I am safe in saying, to the Union Pacific and the Central Pacific.

The Canadian Pacific in Ontario has received no Dominion subsidies whatever for its lines, and I do not think the Grand Trunk lines in Ontario have received any Dominion subsidies or Provincial subsidies whatever. These are the lines that are in competition with the American trunk-lines.

It is true, some small local lines have been subsidized by the Dominion Government to the extent of two or three thousand dollars a mile, and that some portions of these little branch lines have come to form part of the Grand Trunk or Canadian Pacific through lines, by purchase or otherwise; but as far as the Canadian Pacific Railway is concerned, no subsidy has been given it in any shape or form aside from the subventions as provided in the original contract with the government in 1880.

The idea seems abroad, and has been thoroughly circulated in the newspapers on this side of the line, that the Canadian Pacific is a sort of pampered pet of the Dominion Government, and that it is in receipt of favors every day. The Canadian Pacific Company gets no assistance from the Dominion Government except to the extent of the ordinary compensation for carrying the mails just as the roads do here in this country, except that we do not get so much.

Mr. Roberts, in his testimony, referred to the advantages enjoyed by the Canadian Pacific in the way of getting in materials free of duty from Great Britain, but the same materials that come in from England free of duty come in from the United States free of duty. Canada exacts the same duty against Great Britain that she does against the United States, and the Canadian Pacific has been able at times to get American steel rails in just as readily and cheaply as English rails, and there was no discrimination whatever in duties against them.

A very large proportion of the rolling stock of the Canadian Pacific is of American build. I think I am safe in saying that one half of our rolling stock was built in the United States, and a very large quantity of the rails used in the construction of our road were made in the United States—not a very large proportion, but a very considerable proportion. Aside from the rails, ten times the amount of materials and appliances came from the United States that came from Great Britain.

Now, in regard to these steam-ship subsidies, only the Pacific steamship subsidies are to be given to the Canadian Pacific Railway Company. These subsidies are not given by the Dominion Government, but by the Imperial Government, and they have no relation whatever to any competition with United States lines, and there is no thought of such a thing in Canada.

The relations between the Canadian Pacific Railway Company and the Dominion Government are no closer than those between the Pennsylvania Railroad Company and the Government at Washington—not so close really. In fact, there has been a coolness between the Canadian Pacific Company and the Dominion Government for a number of years back.

COST OF OPERATION OF THE CANADIAN PACIFIC.

Senator GORMAN. I would like to know something about the cost of the operation of your road. It was stated this morning—I do not know whether you heard it or not—that you could get labor for much less in

Canada, and that you could get men to operate your trains and improve your track and all that sort of thing cheaper than the same service could be had in the United States. Can you tell the committee how much difference there is, as a matter of fact?

Mr. VAN HORNE. There is very little difference in the cost of labor between the two countries. The difference has been greatly reduced of late. So far as trackmen are concerned, the wages paid here and in Canada are practically the same. They are fully as high in Canada as in the States, and possibly a trifle higher. I think engineers, brakemen, and conductors get a little less than in the States; probably 15 per cent. less. Mechanics, such as machinists, blacksmiths, boiler-makers, etc., get perhaps 10 per cent. less than in the States, while carpenters, brick-layers, and stone-masons get probably 15 or 20 per cent. more than they do in the States.

Senator GORMAN. Why is that?

Mr. VAN HORNE. Very large building operations are going on all through Canada; the country is very prosperous. There is a great deal of building going on, and the wages of men engaged in building operations are very liberal.

Senator GORMAN. How about the cost of material? You buy all your steel material for rails from England, do you not?

Mr. VAN HORNE. We have been buying almost exclusively from England or from Germany. At the present time English rails are laid down in Montreal at $25 a ton, while American rails cost $26 a ton. Five years ago we bought large quantities of American rails.

Senator GORMAN. What duty do you pay on steel rails?

Mr. VAN HORNE. We pay no duty on steel rails, whether they come from England or the United States.

Senator GORMAN. What is the difference in the cost of engines, between Canada and this country?

Mr. VAN HORNE. Locomotives are a little more expensive in Canada to buy from the manufacturers than they are in the United States. I think they cost about 15 per cent. more in Canada. In our own shops we make them for a little less than we can buy them. We save a portion of the manufacturer's profit. We have extensive shops of our own.

Senator GORMAN. There is an impression prevalent, and I have seen it published in the newspapers, that owing to the location of your road, it being so far north, that there are three or four months in the year when, on account of climatic influences, you can not begin to compete with the Northern Pacific or the Union Pacific. What is the fact about that?

Mr. VAN HORNE. I think we can run with absolute certainty every day in the year.

The CHAIRMAN. Are your trains never snow-bound?

Mr. VAN HORNE. No, sir. We may sometimes lose an hour or two, but during this past winter I do not think there has been an hour lost through stress of weather from the beginning of winter to the end.

Senator REAGAN. You have snow-sheds in the mountains, have you not?

Mr. VAN HORNE. Yes, sir; but they are not snow-sheds in the ordinary sense. They are practically tunnels made of red cedar. These snow-sheds or tunnels are very expensive.

Senator GORMAN. So that you have really no disadvantages in competing with the American lines so far as that is concerned?

Mr. VAN HORNE. I think we are in a better condition as far as that goes than some of your roads.

The CHAIRMAN. How many miles of that kind of shedding have you?

Mr. VAN HORNE. We have 11 miles. The cost of this shedding and the works connected therewith was about $3,300,000.

Senator GORMAN. How do your grades compare with those of the Northern Pacific?

Mr. VAN HORNE. All our grades above 1 foot to the hundred are concentrated on a section of line of 120 miles. We have one grade of 4 miles heavier than any on the Northern Pacific; about as heavy as the temporary grades of the Northern Pacific before their tunnels were built.

Senator GORMAN. Then, taking it altogether, you can pull a greater number of tons through to the Pacific with the same power than can the Northern Pacific?

Mr. VAN HORNE. I think we can carry traffic just as cheaply as any of the roads can, possibly a little cheaper than some of them.

Senator REAGAN. What is your maximum elevation above the sea-level?

Mr. VAN HORNE. Five thousand two hundred and ninety-one feet.

Senator GORMAN. Now give us your mileage from Puget Sound to your best eastern shipping port via Chicago as compared with the mileage of the Northern Pacific from the Pacific coast to its eastern port.

Mr. VAN HORNE. I think we are shorter from New York to Vancouver than any of the lines from here by way of Chicago to Puget Sound. Our distance must be about the same as the Northern Pacific; that is, our distance to Vancouver is about the same as that of the Northern Pacific to Tacoma. We are at a disadvantage in competing with them at Seattle in having to carry our traffic up to our Pacific terminus by water.

Senator GORMAN. So that your conditions are such that you can compete to-day on this traffic with any of the American lines?

Mr. VAN HORNE. That is simply taking it from the Pacific coast to a point on the Atlantic coast. Our disadvantage becomes so great at San Francisco that we do not care much about the business.

Senator GORMAN. You have no line to San Francisco, have you?

Mr. VAN HORNE. No, sir; only by boat.

Senator GORMAN. I am not speaking of the through trade.

Mr. Van HORNE. We have no rail connections on the Pacific coast.

Senator GORMAN. I have not reference to the through trade; but better grades, cheaper rails, somewhat less cost of labor and operation are all in your favor.

Mr. VAN HORNE. No, I think, so far as cost of operation is concerned, there is nothing in our favor. The slight difference in some classes of labor is more than covered by the additional cost of fuel. A very large portion of our coal comes from Ohio and Pennsylvania, and of course it costs us a great deal more for coal than it costs the American railway lines. That would put us at a considerable disadvantage, but I think our advantage in the way of grades equalizes it.

Senator GORMAN. You have coal on the sound, have you not?

Mr. VAN HORNE. We have coal of our own after we leave Winnipeg near the Rocky Mountains. We have coal on the Pacific coast.

Senator GORMAN. You have coal where you reach the heaviest grades.

Mr. VAN HORNE. Yes, very near to the heaviest grades.

Senator GORMAN. In that respect you have an advantage over the Northern Pacific.

Mr. VAN HORNE. No, I think their coal comes in very close to their heavier grades.

RATES ON THE CANADIAN PACIFIC.

Mr. Van Horne subsequently submitted the following letter from George Olds, general traffic manager of the Canadian Pacific Railway Company:

THE CANADIAN PACIFIC RAILWAY COMPANY,
OFFICE OF GENERAL TRAFFIC MANAGER,
Montreal, May 22, 1889.

DEAR SIR: In giving your evidence before the Senate Committee in New York, I assume you had in mind the tariff of rates published in my circular No. 46, of October 29, 1888.

This tariff was made up from that of the Transcontinental Association No. 8, bearing date September 1, 1888, but which was not in full effect until near the end of September. At that time I considered the transcontinental rates as satisfactory to our company on any interstate or domestic traffic, and, as my circular indicates, the rates were not exceeded on any short-haul domestic traffic.

I found later that we could not make the rates on our domestic or Canadian business conform in all cases to the frequent changes in the interstate or transcontinental rates. On the 1st of January the transcontinental tariffs were revised, and while there was no material change in the fixed class rates governed by the official and Western States classifications, yet the large list of commodity rates issued by the American transcontinental lines January 1, and the daily or more frequent changes and supplementary tariffs and commodity rates made it impossible and quite unnecessary for us to follow these frequent changes in respect to the rates on our local or domestic business.

One or two instances will suffice to make this more clear to you. Sugar is rated in the transcontinental tariff at $1.20 per 100 pounds from New York to Pacific coast points. We soon found that we could not ship sugar from Montreal refineries to our Pacific coast points owing to the low price of sugar at San Francisco and the low freight (15 cents per 100 pounds) from San Francisco to Vancouver and Victoria, British Columbia. This competition forced us to reduce the rate on sugar from Montreal to Victoria to $1 per 100 pounds; but because we were obliged to so reduce rates to coast points I did not consider it necessary to make similar reductions on shipments to points in the interior of British Columbia, such as Donald, Kamloops, etc.; these remarks apply with equal force to nails and all staple manufactures of iron.

In dealing with the business for these points we follow the practice now in force on the Northern Pacific Railway, namely, of adding to the special or reduced rate to the coast the local rate eastward, say from Vancouver to Donald and Kamloops.

To this extent—very trifling when the limited volume of our local traffic to interior points is considered—we have departed from the strict ruling of the interstate commerce law, and in doing this we have followed the Northern Pacific precedent, which I assume is sanctioned by the Commissioners.

Another cause of disturbance, and one which has caused a departure from the design of my circular No. 46 in respect to compliance with the principle of the long and short haul clause, was that developed by the Northern Pacific line of cutting the rates on traffic between points in eastern Canada and British Columbia coast points. The Northern Pacific feels free to cut such rates in competition with our line because this traffic does not come under the jurisdiction of the interstate commerce law. That is to say, freight shipped from a point in Canada when carried to its destination in part over lines in the United States is not considered subject to the same laws as interstate traffic.

So far as States traffic is concerned, whether "States to States" traffic or traffic between Canada and the States, we have been governed by the interstate commerce law. We have not attempted to discriminate between individuals or localities; nor have we paid rebates or anything equivalent thereto in any shape or form; nor have we assisted our American connections in any way to evade the law.

We have been unable, as I have before stated, and for the reasons stated, to bring our domestic traffic strictly within the long and short haul principle; but I can safely assure you that both the letter and spirit of the interstate commerce law has been far better observed by the Canadian Pacific than by any of its competitors in the United States. The reports to the contrary originate with rival lines or interested parties and their purpose is obvious.

The laws of Canada prohibit pooling, also discriminations as to localities and individuals; they do not, however, prohibit carriers from charging less for a long than for a short haul, the Canadian lines being left comparatively free from the long and short haul restriction, owing to our extensive lake coast lines and the competition the water routes insure to shippers during the season of navigation, but our deviations

from the long and short haul principle in this domestic traffic do not in the slightest degree affect our American competitors.

The full opening of the lines between Montreal and St. Paul and Duluth, via Sault Ste. Marie, for all traffic may require us to make our rates on local traffic between points in eastern Ontario, the Province of Quebec, and the Ottawa Valley and Sault Ste. Marie, conform to the long and short haul principle of the interstate commerce law. As we have but recently opened this line for through traffic our existing local tariffs may be considered temporary. The traffic of this part of our system, during the season of navigation is exposed to lake competition; but we will have no greater difficulty in conforming strictly to all the provisions of the interstate commerce law than will our American competitors. We should not, however, be expected to conform to that law any more strictly than they do.

With regard to the products of the country we are governed in Ontario generally by the rates from Detroit to the Atlantic sea-board, and we find that the Detroit rates are as high as we can get on domestic produce shipped from any Ontario point east of the Detroit River and the Georgian Bay. The necessity which compels the Canadian farmer to seek foreign markets in common with his American neighbor forces us to conform to the rates offered by the American lines.

Yours, truly,

GEO. OLDS,
General Traffic Manager.

W. C. VAN HORNE, Esq.,
President.

Mr. Van Horne also submitted the following tariff notice:

[Circular No. 46.]

CANADIAN PACIFIC RAILWAY,
OFFICE OF GENERAL TRAFFIC MANAGER.

NOTICE TO SHIPPERS AND CONNECTING LINES.

On and after this date, the maximum rates charged by this company on freight from New York, New York points, Boston, Boston points, Montreal, and points west in the province of Quebec, and from all points in the province of Ontario, destined to points in British Columbia, east of Vancouver and New Westminster, and delivered to this company at connecting points in Eastern Canada, at Montreal Station, and stations west in the province of Quebec, and at all points in the province of Ontario, will be the through rates from the Atlantic sea-board points, as per trans-continental association west bound tariff No. 8, dated September 1, 1888, and governed by the Canadian joint freight classification.

[Classes in cents per 100 pounds.]

4 times 1	16.00	4	2.50
3 times 1	12.00	5	2.30
2 times 1	8.00	6	2.00
1 and 1-2	6.00	7	1.80
1	4.00	8	1.60
2	3.50	9	1.40
3	3.00	10	1.20

Of the foregoing maximum rates, American and Canadian lines in the provinces of Quebec and Ontario will be entitled to existing tariff or agreed arbitrary rates to points of connection with this company.

Agents of this company in Canada will not apply these rates in cases where the existing local tariff from their stations prescribes lower rates.

GEO. OLDS,
General Traffic Manager.

MONTREAL, *October* 29, 1888.

STATEMENT OF JOHN NEWELL.

Mr. JOHN NEWELL, president of the Lake Shore and Michigan Southern Railway, appeared.

The CHAIRMAN. What is your business relation now, Mr. Newell?

Mr. NEWELL. I am president and general manager of the Lake Shore and Michigan Southern Railway.

The CHAIRMAN. You have seen the resolution under which the committee have been conducting this examination, and have heard some of the statements which have been made. Would you prefer to go on and make your statement in your own way, or be examined?

Mr. NEWELL. Mr. Chairman, if you will ask the questions upon which you want light, I will endeavor to give it to you.

The CHAIRMAN. Very well; we will proceed in that way. What are the terminals of the Lake Shore and Michigan Southern Railway?

Mr. NEWELL. Chicago and Buffalo.

The CHAIRMAN. Does that include all your lines?

Mr. NEWELL. The Lake Shore and Michigan Southern Railway comprises four or five roads that have been consolidated. It has two roads between Cleveland and Elkhart.

The CHAIRMAN. You say the terminals are Chicago and Buffalo?

Mr. NEWELL. Yes, sir.

The CHAIRMAN. Have you any business connections with the Grand Trunk Railway of Canada?

Mr. NEWELL. We have at Detroit a connection with them, and we do a small amount of business with them at that point.

COMPLAINTS AGAINST THE GRAND TRUNK.

The CHAIRMAN. As manager and president of the Lake Shore and Michigan Southern Railway do you realize that your road has suffered or does suffer from the operation of the Grand Trunk line of Canada?

Mr. NEWELL. For the period since the Grand Trunk has been in operation, they have been a constant and persistent bidder for traffic. They have gradually increased the tonnage of their line from Chicago; so that I think they now come first or second on the list of carrying roads from Chicago to all points, but mainly to the sea-ports of Canada and the United States—Montreal, Portland, Boston, and New York.

The CHAIRMAN. So that they are becoming an equal competitor with any other road?

Mr. NEWELL. Yes, sir; I think so, taking all classes of traffic together.

The CHAIRMAN. What is your explanation of their so quickly becoming a competitor of the American roads to the extent they have?

Mr. NEWELL. I think it is due to their persistent and constant efforts to secure traffic by any and all possible means.

The CHAIRMAN. Do you mean by the phrase "any and all possible means" violations of contracts or association agreements?

Mr. NEWELL. I am inclined to think that a large portion of their success is due to their violation of contracts and compacts which they enter into for the maintenance of rates; not that they are accustomed to coming into the field openly and making low rates publicly, but, as a rule, in all negotiations they are found advocating high rates, and after the rates have been established making low ones privately where they can secure large shipments by doing so.

The CHAIRMAN. It has been stated several times that there is a trunk line association here, of which Mr. Roberts, I believe, said he was president, and that certain trunk lines form the association. Is your road in that association?

Mr. NEWELL. No, sir; probably not in the one mentioned by Mr. Roberts. There is a secondary association, embracing all the lines from Toronto, Suspension Bridge, Buffalo, Erie, Pittsburgh, Parkersburgh, and one or two other points west to Chicago and St. Louis, lying north

of the Ohio River and south of the lakes. This company is a member of that association.

The CHAIRMAN. Who has charge of that association?

Mr. NEWELL. Mr. Blanchard, at Chicago. Our road is in that association, and so is the Chicago and Grand Trunk. The Grand Trunk is in it for a portion of its road; that portion extending from Port Huron to Toronto.

The CHAIRMAN. Now, you say in the first place, that the Grand Trunk makes agreements in the association. They press for high rates, you say, and when they get them agreed to and established, then they cut and slash rates and carry freight at lower rates than the rates agreed upon by the association.

Mr. NEWELL. I think that has been the practice of the Grand Trunk for the last fifteen years.

The CHAIRMAN. Have you any actual evidence of it beyond the fact that they seem to get more business than they ought to get?

Mr. NEWELL. I think there is no question that evidence of that character can be obtained covering the entire period since the opening of the line to Chicago. I have not the evidence with me, but I have no doubt that documentary evidence can be procured to show it.

The CHAIRMAN. Will you undertake to furnish documentary evidence to that effect?

Mr. NEWELL. I will.

Senator BLAIR. Has the Grand Trunk been carrying freight at rates lower than those agreed upon in your association since the enactment of the interstate commerce act as well as before?

Mr. NEWELL. Yes, sir.

The CHAIRMAN. It has been stated here over and over again, and I suppose you heard it stated by Mr. Van Horne; it was stated yesterday by Mr. Hickson, that the Canadian Pacific and the Grand Trunk scrupulously observed the rates established by the association, and also observed the interstate commerce law, as it has been interpreted, in all business in any way connected with the United States either in going out into Canada, or going out into Canada and back into the United States, or coming from Canada into the United States. Now, if that is not the fact, the committee would be very glad to have the evidence of it in such form as that it can not be contradicted.

Mr. NEWELL. Well, I do not know as respects the Canadian Pacific whether it is the fact or not. My observation has not extended to that railway, because our competition has not been with the Canadian Pacific.

The CHAIRMAN. And you have reference more particularly to traffic going out of Chicago?

Mr. NEWELL. Yes, sir; to traffic out of Chicago and other points.

The CHAIRMAN. What other points?

Mr. NEWELL. Toledo, and points in Michigan and Indiana.

The CHAIRMAN. What is the amount of the traffic on your road?

Mr. NEWELL. I do not remember our Chicago tonnage, sir.

The CHAIRMAN. Is your traffic from Chicago as great as that of the Grand Trunk on the line leading from Chicago to Detroit?

Mr. NEWELL. Our traffic in the aggregate is. Our export traffic at this time is very much less. For the last two or three years, at least the last year, it has been about the same as that of the Grand Trunk line. For the last three months, perhaps, it has been only one-quarter as large as that of the Grand Trunk; not more.

The CHAIRMAN. How about your foreign trade?

Mr. NEWELL. That is the freight last referred to.

The CHAIRMAN. To where do you take it on your line?

Mr. NEWELL. To Boston and New York.

The CHAIRMAN. What is your line to Boston?

Mr. NEWELL. From Buffalo to Albany by the New York Central, and from Albany to Boston by the Boston and Albany.

THE EXPORT TRAFFIC.

The CHAIRMAN. I should be very much obliged if you could furnish to the committee the documents that will show conclusively the statements that you make, or whatever the facts are. We have been hearing the other view of the case for two or three days.

Mr. NEWELL. I will state one thing that I recollect, and I recollect that very distinctly. In March last we were in attendance upon the Interstate Commerce Commission in Washington with reference to the publishing of rates upon export business. In the beginning of March the best possible rate that our road could secure from Boston to Liverpool by steamer was 49 cents, and the Grand Trunk at the same time was taking business at 44 cents, and shipped it by the same steamers from Boston, from which we got our rate. We were advised at that time that it was necessary to charge the full inland rate to the point of shipment, adding to that the rate we could obtain from the steam-ship line, and the two sums made our rate 5 cents more on provisions to Liverpool than the Grand Trunk rate, shipments from both roads being carried in the same ships.

The CHAIRMAN. Did you have a case before the Interstate Commerce Commission?

Mr. NEWELL. Yes, sir; we did.

The CHAIRMAN. Was that before the announcement of the Commission that the inland rate should be stated separately from the ocean rate?

Mr. NEWELL. Yes, sir.

The CHAIRMAN. Do you know whether the Grand Trunk is observing that provision now?

Mr. NEWELL. I can not tell you, as a matter of fact, whether they are observing it or not. They were for a short time after the result of that hearing was announced, but whether they continue to observe it up to this time I do not know. I have been away from Chicago for a time, and have no knowledge of what is existing at this time.

The CHAIRMAN. If you make a shipment from Chicago for export from Boston, for instance, you have a published rate from Chicago to Boston?

Mr. NEWELL. Yes; a tariff to the different points through which the exports are made.

The CHAIRMAN. Then you secure a rate from the steamer that is to take the goods when you get ready to make a shipment abroad, I suppose?

Mr. NEWELL. The steam-ship rates are obtained in advance generally of the date of shipment. For instance, if we want to take grain to-day from Chicago to Boston for export, we get the rate from the ship to sail in a week or ten days, and add that rate to our local rate, and we announce the through rate to the shipper or public. Our regular inland rate is the established rate that we publish under the interstate act, and we add to that whatever ocean rate we are able to obtain.

The CHAIRMAN. And you do not vary the inland rate except as the law indicates?

Mr. NEWELL. We do not vary it except by notice of ten days or notice of three days, as the case may be, of a reduction or advance. But, as I said before, that practice has lost us the export trade this spring.

The CHAIRMAN. How soon could you furnish us the evidence you speak of?

Mr. NEWELL. I suppose it would take a month to collect the whole. I could set parties to work and send it to you as it is obtained, or wait and send it all together.

The CHAIRMAN. I would rather you would wait until you complete it, and then send it to us all together.

Mr. NEWELL. Perhaps it will take a month to get a satisfactory statement.

The CHAIRMAN. You say you know that this evidence can be furnished.

Mr. NEWELL. I am quite certain it can. We have on record the discussions of the meetings of the various associations of which the Grand Trunk has been a member during these many years, which will, no doubt, furnish the facts.

THE GRAND TRUNK DIFFERENTIALS.

The CHAIRMAN. Have you any differential from any of the other roads?

Mr. NEWELL. No, sir.

The CHAIRMAN. You carry at the same rates as the Pennsylvania, do you?

Mr. NEWELL. Yes, sir.

The CHAIRMAN. The Canadian Grand Trunk has a differential, has it not?

Mr. NEWELL. They have no differential on east-bound traffic from Chicago that I know of except one which they take on dressed beef. Through the operations of a contract they made a year or two ago they are restricted to a maximum price for the carriage of dressed beef to Boston as well as New York, and a part of that agreement, we understand, was that they should carry this beef to Boston for 5 cents a hundred less than any other line should carry it. Last winter we wanted to make an advance on dressed beef and this differential was then made. That is the only east-bound differential they have to my knowledge.

The CHAIRMAN. Do they carry all the dressed beef now on account of that differential, or do you get your share of it?

Mr. NEWELL. We carry a little of it, but they carry most of it. Some of the largest shippers say there is no difference in the route. The largest shippers say that they would not give us a cent more a hundred for carrying their beef than they would give the Grand Trunk. Those are the views the shippers express.

The CHAIRMAN. What is the difference in the length of your line from Chicago to New York in comparison with that of the Grand Trunk?

Mr. NEWELL. The Grand Trunk has as short a line to New York as ours. To Boston their line is over a hundred miles longer than ours. They could get along without the differential to New York. When they get to Concord and points north of that their distance is as short, if not shorter, than ours, and they enjoy the bulk of the business of New England.

The CHAIRMAN. I believe Mr. Roberts said that his line was a little shorter than any other line to New York.

Mr. NEWELL. That is true.
The CHAIRMAN. How much shorter than yours?
Mr. NEWELL. Sixty miles.
The CHAIRMAN. How long is your line?
Mr. NEWELL. Nine hundred and sixty miles.

REMEDIES SUGGESTED.

The CHAIRMAN. What have you to suggest as to the means of preventing this cutting of rates after an agreement is entered into, or preventing the taking of an advantage of you gentlemen by the Canada Grand Trunk?

Mr. NEWELL. There have been suggestions made and plans proposed and adopted and intended to be carried out for the last fifteen years, but so far there has been no cure found for this evil. I am under the impression that this interstate-commerce act if rigidly enforced would afford as great relief from the operations of alien lines like the Grand Trunk Railway, as any other means that could be adopted. I think that under the provisions of the act strictly observed it would regulate railway traffic and rates better than any other arrangement, except perhaps the pooling arrangement sanctioned by the law.

The CHAIRMAN. Is your rate from Chicago to Boston greater than the rate of the Grand Trunk?

Mr. NEWELL. It is on dressed beef, but not that we know of on any other article. I suspect it is greater on several articles than that of the Grand Trunk to-day, but we do not know the fact.

The CHAIRMAN. How is it that you do not know the fact?

Mr. NEWELL. Well, the Grand Trunk's chief officers are in Canada. They perhaps can give rebates from Canadian soil which are not known to the American agents. Their American agents may have no part or agency in the manipulation of their affairs, and they may give rebates in Canada which we may know nothing about, or which we can not detect by any means; as I understand, it is entirely practicable for them to do that.

The CHAIRMAN. If they were to allow the Interstate Commerce Commissioners to go to Canada and examine their books, I suppose we could then find out?

Mr. NEWELL. If the business of the Canadian lines were thrown open to the operations of this law, and by any means the penalties could be applied in Canada, I believe we would have no further trouble from the Grand Trunk Railway.

The CHAIRMAN. It can be applied to the United States if we catch anybody who represents that road committing the crime.

Mr. NEWELL. Whether you can compel the Grand Trunk to bring its books out of Canada I do not know, but I imagine that it would be hard to get the Canadian railways to submit their affairs for examination on this side of the line.

The CHAIRMAN. Suppose the United States said to the Canadian Government that their roads could do business here, provided the law should operate as to all business pertaining in any way to the United States, and that our commissioners should have the right to examine their books, would they consent to it?

Mr. NEWELL. I am not informed as to their views on the subject. I am under the impression that the Grand Trunk Railway would fully observe all the requirements of the interstate-commerce act, if that were the alternative of their doing business on our side of the line. I think it

ought to be. I think they ought not to be permitted here to do business unless they submit their traffic to the same rules and restrictions in every respect as the American railroads. If they do that I see not the slightest objection to their being allowed here, notwithstanding their advantages in cheaper labor, etc., which are considerable. Yet, notwithstanding such advantages, if they are on equal terms with our roads there would be no attempt to shut out the Canadian railroads from participation in our traffic.

REBATES BY OWNERSHIP IN CARS.

The CHAIRMAN. Whatever violations of your association agreements, or of the interstate-commerce law, these foreign roads have committed, have been carried on by a system of rebates or something of that kind, have they not?

Mr. NEWELL. As a rule they have had rebates by ownership in cars. That is a favorite method of the Grand Trunk in making discriminations. For instance the dairy business from Chicago to Boston is very large. The bulk of that trade has for years been carried by the Grand Trunk Railway. The origin of their increase in that traffic was the formation in Boston by the agents of the Grand Trunk, or agents of the Central Vermont, which is exactly the same thing, of a line of refrigerator cars. In organizing this corporation the Boston merchants and dealers in butter, cheese, and eggs were invited to become shareholders and did so, and it paid liberally for the service of these cars, and they are now under contract to continue that mileage at the rate of a cent a mile. The shippers by that line who are shareholders in the organization while shipping at the same rates have an advantage over their neighbor, who has no interest in a similar line running over an American road, for the reason that he receives a large profit from the use of those cars. That is the present situation in respect to the butter and egg trade.

The CHAIRMAN. If any rebates are paid by a railroad either in Canada or the United States, would not the books of accounts or receipts or payments show it?

Mr. NEWELL. They ought to, but whether they would is another question. I do not know that it is necessary for all railroads to keep accounts in regard to their rebates.

The CHAIRMAN. All our American roads have for years been giving rebates, have they not, and would not the books show it?

Mr. NEWELL. I could point out, I think, lines that have paid rebates that you could not discover from their books.

The CHAIRMAN. So that whatever is paid out in violation of law or in violation of any agreement would be difficult to trace for the purpose of convicting anybody, would it?

Mr. NEWELL. It would if it were the intention of the railway to avoid disclosure. I think their books could be so manipulated that there would be no record of it or means of showing it.

APPLICATION OF THE INTERSTATE LAW IN CANADA.

Senator BLAIR. I want to have you elucidate a little. Your theory is the same as that of every gentleman who has testified here, that if the interstate commerce law were applied in Canada, and lived up to by the Canadian roads as that law is enforced or expected to be enforced in this country, then you can compete on even terms with them and get along. Now I do not see myself how that meets your real dif-

ficulty. The interstate commerce act makes no provision with reference to the rate of a tariff. The Grand Trunk Railway can conform to the interstate commerce law and yet make its tariff upon everything 50 per cent. less than the tariff of any American road, and it seems to me that it would make that tariff sufficiently less than that of the American roads to take the business upon our soil and then exercise its unquestioned power to make up on local traffic in Canada the loss on American traffic. Now those are the difficulties.

Mr. NEWELL. As I understand it, if they come strictly under the operations of the interstate commerce law, come under its rules in respect to the long and short haul, they would be upon the same footing as we are; otherwise they do not come under the provisions of the law.

Senator BLAIR. Do you understand that they are under the necessity of making any sort of adjustment of their local rates in Canada in order to conform to the interstate commerce law?

Mr. NEWELL. I do not understand that the law can be enforced in Canada, or that they could be required to come under its provisions absolutely; but I say that if they should come strictly and absolutely under the same rules as we do in respect to the long and short haul and also with respect to the local traffic it would be all right. If they do not, and get traffic enough in Canada to earn the amount of money that their share-holders want on their stock and then they come into our territory to secure additional business, they do that additional business less than we do our entire business, because our fixed charges have to be applied over the whole traffic, and therefore to get the fixed charges and something beyond that, we have got to get the higher rate than that which would apply to through traffic alone. If we had an opportunity, as we had in the past, to make the rate from Chicago 15 cents a hundred on grain to New York, and then at the same time charge 25 cents from northern Indiana and southern Michigan to New York, the Grand Trunk could not make any gain over us, because we could meet them on the same basis. But under the operation of this law they charge in Canada higher rates and come into our territory and make only a small profit, and make at the same time a record with reference to the division of traffic.

Senator BLAIR. The short haul is regulated in this country by the interstate commerce law as much as is the long haul. In Canada the short haul is wholly local. The interstate commerce act does not apply to the local traffic within a State, no more than it is understood to apply to the local traffic in Canada. Therefore the local traffic in Canada, even if the Canadian roads agreed to comply with the requirements of the act, would not be under the interstate commerce law by our own construction, and we do not ask them to place their local traffic under the interstate commerce act, but say to them, "regulate your long traffic, or traffic you get from our country, by the interstate commerce law." Now, does not that leave them at liberty to increase their local tariffs to make up for the diminution of the through rates, which will take every particle of American business over the Grand Trunk? So it seems to me that you will, after all, come out with the same difficulty that you now complain of.

Mr. NEWELL. My point is this: not that you shall say the Canadian local traffic shall be controlled by the provisions of the interstate commerce act; that, I understand, we can not say. But my point is whether it is not within the province of the Government of this country to say to the Canadians that if they come into this country to transact what may be termed interstate traffic, or international traffic, they

must, before they commence to take hold of that traffic, put their whole traffic under the same regulations as the American roads are under that compete with them. I would ask them not only to accept the provisions of the interstate commerce act with regard to traffic that is interstate or international, but I would also ask them to apply it to their local traffic as well, so that they would, in all respects, be under the same general rules as our roads are under. You have not a railroad running east and west to or from here that does not go through one or more States, except the New York Central.

Senator REAGAN. Do you understand that the commerce going over the New York Central is interstate commerce?

Mr. NEWELL. No, sir; I understand that the freight going over the New York Central road which originates in the State of New York and ends in the State of New York is local traffic. Anything originating in another State and going over the New York Central road is interstate traffic. The Erie Railroad has been decided to be an interstate road, because part of its line lies in the State of Pennsylvania.

Senator BLAIR. We hold that the interstate commerce law, being a national law, does not apply to strictly State traffic. In practice the interstate commerce law governs our State traffic because the short haul is an interstate haul as a rule, because it extends across the lines of States, and therefore in regulating that short haul where it is an interstate short haul, you necessarily lay down a rule that controls the short haul wholly within a State, so that our interstate law in this country really applies to a short haul within a State as well as any other short haul. But when you come to Canada, it is held here that all Canadian traffic is local traffic, and that upon any traffic that is Canadian traffic proper they may regulate their fares and freight as they see fit.

Now, you railroad gentlemen come here and say, "Compel them to apply the interstate commerce law to this longer traffic, and we are satisfied." But in doing that you leave them entirely at liberty, upon your own construction of the interstate commerce law as we apply it here, to make the charge on traffic within their own territory whatever may be necessary to enable them to make up the loss on the carriage of American traffic.

Mr. NEWELL. I would go this far in the construction of such an act. I would make that act reach far enough to require the Canadian railways to place themselves upon the same basis precisely in respect to all traffic as are the American railways connecting with the same points.

Senator BLAIR. And exclude them from all American traffic?

Mr. NEWELL. Yes; unless they are placed on the same footing as to that traffic as these roads are. I will state a case that I think ought to be controlled by the interstate commerce law. The Canadian railways are making a less rate from Toronto to Boston than from points east of Toronto and within Canadian territory to Boston. Their tariffs show you that to-day. Whether they are controlled by the interstate commerce act as to through freight originating in Canada I am not sure; but if they are they are violating the law in that respect to-day.

SUBSIDIZED STEAM-SHIP LINES.

Senator GORMAN. If it be true, as is alleged, that the English people, with a view to building up a great military road, or two great military roads, the Grand Trunk and the Canadian Pacific, and at the same time with a view to using them for commercial purposes, are subsidizing lines of steam-ships running to Halifax and St. John, how can we meet

it? How can our transportation interests meet it here with the facilities that you have now for ocean transportation, eliminating all these other questions, such as the regulating of it by the plan you suggest? Does the subsidizing of these ocean lines, in connection with these subsidized railways, threaten us?

Mr. NEWELL. It might. I think so far as the Canadian Pacific is concerned that their development has not reached a stage yet that would justify any particular apprehension. It may reach it. To-day I do not see that the possible payment of large subsidies to their steamers is going to place them in position to take all the traffic. The fact is that the tonnage distributed throughout our country from Great Britain is so much greater in value than any tonnage that is sent to St. John or to Halifax, or sent across to China and like places, that the English people who build and own steam-ship lines will always be found quite as ready to run steamers to our ports as to other foreign ports. That is the case now, but later developments may show that some action is necessary in this regard.

Senator GORMAN. As you are familiar with the subject, I ask is it or not your opinion that this movement on the part of the Canadians and the British Government to develop that line has progressed far enough for us to take action by negotiation or legislation to prevent those advantages which it is contemplated will be afforded these foreign corporations?

Mr. NEWELL. As I understand the law, it requires the Canadian Pacific in carrying any freight out of this territory to send to Halifax or St. John for export to act in conformity to its provisions. That sort of traffic is controlled absolutely by the interstate commerce law. My own judgment is that if the provisions of the interstate commerce law were made operative it would be a sufficient safeguard for the present, but they might develop subsidies to an extent that would admit of these steamers carrying freight at a very low rate and hereafter require some possible action on our part.

Senator GORMAN. But looking into the case as it is, do you think it is of sufficient importance for the American people to submit such a proposition as the one you have indicated, that is—to say to them, "Unless you put yourself under the same conditions as our railroads are under we will close your trade and prevent your cars from passing over the border?"

Mr. NEWELL. I think it is. These lines are drawing millions of dollars of revenue from the American roads. They are to-day placing the American lines where it is difficult to get a fair revenue on the capital invested in them. The drain that is made upon our traffic by the Canadian lines is disastrous to us, and it ought to be stopped. I would not stop it by putting the northwestern people in a position to say that the rates were controlled by a monopoly, but I would put it on the basis that the Canadian road should do the business on the same basis as we do it. If you do that they can not hurt us. We can do business cheaper than they can.

Senator GORMAN. Would you go so far, if you were conducting a negotiation, as to say that any arrangement between this Government and the Canadian Government, involving the withdrawal of aid to these enterprises in the way of subsidizing steam-ship lines on either end of the railroad route, either on the Pacific or on the Atlantic, would be a condition of their enjoying our trade?

Mr. NEWELL. I do not think I would do that to-day, because, as I said before, I do not think that the trade the Canadian Pacific controls

on both ends is so great that it ought to be interfered with in regard to cheap carriage. In other words, the subsidy they receive will not admit of tonnage enough being controlled by them to seriously draw shipping from us. The amount taken to Halifax for export is a small amount compared with the tonnage taken to Portland, Boston, New York, Philadelphia, and Baltimore. We are nearer the sea-board than the Canadians, except in summer. During the greater portion of the year we can compete for traffic safely with them on equal terms.

Senator GORMAN. Then you think it is sufficient to deal with the railway problem alone?

Mr. NEWELL. Yes, but the other question may come upon us before we know it.

THE CANADIAN WATER-WAYS.

Senator GORMAN. Tell us something with regard to the facts connected with the lake steamers and the carriage through the Canadian canals. How far has that developed, and is it at all threatening?

Mr. NEWELL. My judgment in respect to that is, that the Erie Canal, together with the boats running to Buffalo, which are the larger carriers—larger than any that can run through any Canadian canal—will take care of all that competition. We have nothing to fear from the Canadian canals in that respect. The only difficulty about the Canadian canals is this, that in reaching Oswego and Ogdensburg the discriminations that at times exist on Canadian canals are a serious drawback upon our lake marine.

Senator GORMAN. Can you tell us the facts in regard to these discriminations?

Mr. NEWELL. I can not; I have not sufficient familiarity with the figures to give you the facts, but that can easily be ascertained from the parties interested in that trade.

Senator GORMAN. Who is familiar with that subject?

Mr. NEWELL. I should say that any of the Buffalo vessel-owners are. Very likely you could obtain it here in New York from the officers of the lake lines connecting with the railroad lines. The Delaware, Lackawanna and Western, and the Pennsylvania and the New York Central have lake connections. I think application to Mr. Depew or Mr. Roberts or Mr. King would produce them in a short time. They could obtain the figures through their men engaged in the lake business.

Senator GORMAN. Now, coming back to this railroad problem, would you couple with the requirements that you have intimated the further condition that the Canadian Government permit our vessels engaged in the fishery business to go into Halifax or any other Canadian port and unload their cargoes, or put the cargoes on cars and run them through that territory into our territory.

Mr. NEWELL. I am not sufficiently versed on that to give an opinion.

Senator GORMAN. Would that not be a good thing as a matter of trade?

Mr. NEWELL. I think it would be if the Canadian Government would agree to it. They would not do it if it could be helped.

Senator GORMAN. Would it not be a solution of the problem to say to the Canadian Government, "You can not get goods across the border unless you permit the same rule to apply to us as is applied at the other end?"

Mr. NEWELL. I think that result would be effected if the suggestion were adopted. The fact is there is no law that will reach them. It is an advantage for this maritime nation to have that trade there. Their Government seems to think differently from ours on that point.

Senator GORMAN. So that as a gentleman largely engaged in the transportation of freight, and as an American citizen, you would say that a fair adjustment of this whole matter would be that the Canadian Government and the Canadian railroads shall come under our interstate-commerce law and that Canadian ports shall be open to American vessels to receive fish and other products for transportation on the same terms precisely that we permit grain and their products to go over our roads into Canada and back into this country.

Mr. NEWELL. Most assuredly; I believe in reciprocity in all business.

Senator BLAIR. All along our line we have a general railroad law in operation. Why should not the Canadians give us the benefit of a general railroad law in their country? We furnish the money and make the connections with our own roads. They constructed these two routes leading from the Sault Saint Marie to Duluth and Minneapolis. Why should not we have the benefit of a general railroad law in Canada?

Mr. NEWELL. I think they would give it to you. They have done so in several instances.

Senator BLAIR. You think that should be done.

Mr. NEWELL. I think it is just. I do not know that there is any objection to that being done.

Senator BLAIR. Is there not a monopoly all along the line of the Canadian Pacific?

Mr. NEWELL. There was in Manitoba, but as I heard Mr. Van Horne say to day, they surrendered that monopoly.

Senator BLAIR. At one particular point, but it is not the Canadian Pacific. It is a local road that has been constructed, as was pointed out yesterday.

Mr. NEWELL. I do not know as to that. My judgment about that may be warped a little. If I had charge of this matter I would eliminate the general railroad laws from the statute-books of every State in the Union.

Senator BLAIR. Men who have railroads would, but those who have not would not.

Mr. NEWELL. I know, but here you go on piling capital on capital, and for what?

Senator BLAIR. My inquiry does not raise that question. Why not give us the privilege of making these people homogeneous by enabling American capitalists to build railroads in Canada, and to draw the commerce of Canada southward through the natural channel of trade, rather than submit to the present condition of things, which enables Canada to build exclusively in her own territory, and to transport products outside over American lines?

Mr. NEWELL. I believe in perfect reciprocity. If we are to be disbarred from any privilege in Canada, it seems to me right to say to those gentlemen, "You must remove these disabilities before you can come here and enjoy a privilege that you deny us."

Senator BLAIR. There are four great sections of productive country in the south of Canada separated by mountains and morasses, and there are long strips of country between that are uninhabited and wholly unproductive. These great valleys should send their products, by the laws of nature, over American railroads, and if we should construct American railroads into that country, and transport over those American lines the trade referred to, it would be a style of reciprocity that I would believe in myself. There is a country up there as productive as anything we have north of Mason and Dixon's line.

STATEMENT OF HENRY B. LEDYARD.

Mr. HENRY B. LEDYARD, President and General Manager of the Michigan Central Railroad Company, appeared.

The CHAIRMAN. What is your business or position at this time, Mr. Ledyard?

Mr. LEDYARD. I am president and general manager of the Michigan Central.

The CHAIRMAN. Are you connected with that line only?

Mr. LEDYARD. The Michigan Central and its leased and operated lines.

The CHAIRMAN. What are they?

Mr. LEDYARD. They are about a thousand miles of railroad in Michigan, and four hundred in Canada. The main line is from Chicago to Detroit, known as the Michigan Central, and a line in Canada from Detroit to Suspension Bridge, known as the Canada Southern.

The CHAIRMAN. You say you have about a thousand miles of road in Michigan?

Mr. LEDYARD. Yes, sir.

The CHAIRMAN. What are the termini of the main line?

Mr. LEDYARD. Chicago and Buffalo.

The CHAIRMAN. Can you give the lengths and the termini of the branch lines in Michigan?

Mr. LEDYARD. One line from Jackson to Saginaw, and a line from Saginaw to Mackinaw City.

The CHAIRMAN. How long is that line?

Mr. LEDYARD. Three hundred miles. Then the Detroit and Bay City line from Detroit to Bay City, a distance of 108 miles; the Grand River Valley line from Jackson to Grand Rapids, 98 miles; the Kalamazoo and South Haven line, from Kalamazoo to South Haven, 40 miles; the Joliet and Northern Indiana line, from Lake to Joliet, 45 miles; the Michigan Air Line, from South Bend to Jackson, about 120-odd miles; the Michigan Midland, from St. Clair to Lenox, 15 miles, and the Toledo, Canada, Southern and Detroit, Detroit to Toledo, 60 miles. Those are all the lines west of the Detroit River.

The CHAIRMAN. Have you any line or lines east of the Detroit River?

Mr. LEDYARD. There is the Canada Southern from Windsor to Suspension Bridge, with a branch line to Fort Erie, opposite Buffalo, with a branch from Essex Center to Amherstburg, and the Erie and Niagara, Buffalo to Niagara City.

The CHAIRMAN. How long are those branches?

Mr. LEDYARD. I suppose the total mileage in Canada amounts to about 400 miles; and the Canada Southern controls a line from Toledo to Detroit.

The CHAIRMAN. Your system seems to be pretty well spread out?

Mr. LEDYARD. It is.

The CHAIRMAM. What is the total mileage of the whole system?

Mr. LEDYARD. About 1,500 miles.

The CHAIRMAN. Do you do business in connection with any of the Canadian roads?

Mr. LEDYARD. None, excepting the Canadian Southern, and to a small extent the Canadian Pacific.

COMPETITION OF THE GRAND TRUNK.

The CHAIRMAN. Are you in competition with any of the Canadian roads?

Mr. LEDYARD. Yes, sir; with the Grand Trunk particularly.

The CHAIRMAN. How do you get along in competition with that road?

Mr. LEDYARD. We do not fare very well.

The CHAIRMAN. Why not?

Mr. LEDYARD. Well, there is a variety of reasons. In the first place, the Canada Southern was built for a through line, and was built regardless of towns, and took the straightest, shortest, and easiest line that could be picked out between the Niagara frontier and the Detroit River.

The CHAIRMAN. Who built it?

Mr. LEDYARD. I think it was built by American capital. It was built way back in 1869.

The CHAIRMAN. And designed to be a through line as between what points?

Mr. LEDYARD. Between Chicago and Buffalo. The design was to push the road to Chicago, but the promoters got into financial difficulties, and the road was reorganized in 1878. Mr. Vanderbilt lent them money to put them on a sound financial foundation, and the Michigan Central in 1882 made a contract to run and operate the road. That road has but little local traffic. We find that the Canadian roads by charging higher rates on the local traffic in Canada, are enabled to charge lower through rates on traffic from the United States, and we find that the Grand Trunk does not observe the interstate-commerce act in so far as traffic going from the United States into Canada is concerned.

The CHAIRMAN. Have you any evidence that they do not observe the act in that respect?

Mr. LEDYARD. Yes, sir; I made a complaint about it before the Interstate-Commerce Commission sixty days ago. That is one case. I have another case of non-compliance with their published tariff. Here is a tariff-sheet of the Grand Trunk Railway [exhibiting], reading, "Interstate tariff on grain from Port Huron ex-late from Chicago." It gives no other point but Chicago as the point of orgin. Grain has been taken out of our elevators in Detroit in the last month by vessel and taken to Port Huron, and thence forwarded by the Grand Trunk to Portland, Maine. The rate from Detroit to Portland by the Grand Trunk and the Michigan Central is the same.

The CHAIRMAN. The published rate is the same?

Mr. LEDYARD. Yes, sir; and the all-rail tariff from Port Huron to Portland is the same as Detroit to Portland. Here is a tariff on grain only, ex-lake from Chicago [exhibiting]. That same tariff is applied by the Grand Trunk on grain by vessel from Detroit to Portland. That results in reducing the rate, all-rail, by two and a half cents.

The CHAIRMAN. Which is a means of getting around the interstate-commerce act without anybody discovering what it is. That is the case you have just described?

Mr. LEDYARD. Yes, sir; I can not find that any tariff has been issued from Detroit via lake and via Port Huron to Portland, or any other eastern point.

The CHAIRMAN. What is the date of that last tariff you speak of?

Mr. LEDYARD. April 10. That specifies the point of origin as Chicago.

LOCAL RATES ON THE GRAND TRUNK.

The CHAIRMAN. But it does not show where the traffic is going?

Mr. LEDYARD. It gives the point of destination, but says the grain must be ex-lake from Chicago. We have felt the competition of the

Grand Trunk more than any other line, much more so than those lines lying south of Lake Erie, and that I think is due to three causes. The first is that in Canada they have no general railroad laws. In the United States anybody can build a railroad, but in Canada you have to get a charter or special act from the government. Those railroads are generally subsidized by the government to the extent of from three to five thousand dollars a mile. The counties and towns are allowed to vote large bonuses—bonuses so large as to be unheard of in America. The last report of the chief engineer of the government railways of Canada shows the bonuses of the government provinces and municipalities voted to railroads to be about one hundred and fifty millions of dollars, an amount unheard of in the United States. The local rates for short hauls are much higher than in the United States. The passage of the interstate-commerce act had the effect in this country of reducing local rates, growing out of the application of the long and short haul provisions of the act. If you will compare the rates given by the distance tariffs on one class of freight, you will find that the Grand Trunk rates in Canada are from 10 to 25 per cent. higher on lumber, for equal distances, than are charged by the Michigan Central Railroad in Michigan.

Again, taking the general local tariffs of the two companies, we may, for the purpose of comparison, consider Detroit and Toronto, with regard to the territories they serve, as analogous centers of trade. The Grand Trunk rates from Toronto to Stratford, 88 miles, range from 28 cents per 100 pounds on the highest class of freight, to 9 cents per 100 on the lowest. The Michigan Central rates from Detroit to Albion, 96 miles, range from 19½ cents on the highest, to 6½ cents on the lowest. Toronto to London, 115 miles, the Grand Trunk tariff ranges from 32 cents to 10 cents per 100, according to classes. The Michigan Central, Detroit to Battle Creek, 115 miles, from 21½ cents to 7½ cents per 100 pounds. Toronto to Chatham, 180 miles, from 34 to 10 cents per 100. Detroit to Niles, 191 miles, from 26½ to 9 cents per 100 pounds, according to classes. These figures show relatively what the local rates are in the two countries.

The CHAIRMAN. The rates appear to be much higher in Canada than in this country?

Mr. LEDYARD. Yes, sir; much higher. Our local rates are higher in Canada than in the United States. Our local traffic there is comparatively nothing, however.

The CHAIRMAN. So there you have an advantage on account of the local rates, more than from any other cause?

Mr. LEDYARD. To a very great extent.

The CHAIRMAN. And you think you can show that the Canadian roads do not observe the interstate commerce act?

Mr. LEDYARD. I simply can state that the position taken by the Grand Trunk in the complaint I made against them on coal taken from Buffalo to Hamilton, was that the interstate-commerce act did not control that traffic. Now, if they pay rebates on that traffic, why should they not pay rebates on traffic from Chicago to Montreal? I know they have paid rebates on traffic from Buffalo and Black Rock into Canada.

The CHAIRMAN. Do you think any foreign trade has been drawn from you?

Mr. LEDYARD. We have lost nearly all our export trade.

The CHAIRMAN. On what account?

Mr. LEDYARD. Simply on account of the arrangement made with the Grand Trunk Company with vessels running from Portland. Instead of charging the full inland rate, they have divided the through rate on

an agreed percentage. They have subsidized vessels to come to Portland, and have allowed them more than they would otherwise get.

The CHAIRMAN. And you have been losing your foreign trade?

Mr. LEDYARD. Yes, sir.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Do you think there is any way of protecting the American roads in maintaining the published rates in competition with the Canadian roads?

Mr. LEDYARD. You gentlemen recognize I hope that I control a Canadian road. I control a road running parallel in Canada with the Grand Trunk road, and what I say I state in reference to all Canadian roads. I made a suggestion to Judge Cooley some two years since, with regard to the state of affairs then existing, and he asked me what I thought about the matter, and I told him I thought that all Canadian railways, before being allowed to do business in carrying traffic from the United States into Canada, or from the United States into Canada and then into the United States again, or from Canada into the United States, should file with the Commission their assent to the law, and that they should not be allowed to change any rate affecting interstate or international traffic without the consent of the Interstate Commerce Commission.

The CHAIRMAN. If you do that, the same law ought to apply to the American roads as well.

Mr. LEDYARD. I hold that if an American road found it necessary to change rates, the Commission would allow the same privilege at the same time to the Canadian road; but I think that a commission composed of Americans, to allow the Canadian roads to carry our traffic at less than they think would be a reasonable rate for an American road, would be doing an injustice to the American roads. If there is a reason why reasonable rates should be charged from Chicago to New York by the Pennsylvania road, the same rule should apply to the Grand Trunk, but the Grand Trunk should not be allowed to reduce below a reasonable figure the rates fixed by the Pennsylvania or other American roads competing therewith, all of whose traffic is, to a greater or less extent, governed by the provisions of the interstate-commerce act. The through rates in force for the last five years have been lower than anywhere else in the world. Our through traffic last year netted us about one-half a cent per ton per mile east and west bound, and our local traffic about eight mills.

The CHAIRMAN. There is about that difference, is there, between the charges on local and through traffic?

Mr. LEDYARD. Local traffic is always a little higher.

The CHAIRMAN. Is that about the relative difference on all the roads?

Mr. LEDYARD. On all the roads east of Chicago.

The CHAIRMAN. Do any of these branch lines of yours run to the Sault Ste. Marie River?

Mr. LEDYARD. No, sir.

The CHAIRMAN. Do any of your branches run over that bridge at the Sault Ste. Marie?

Mr. LEDYARD. No, sir; we did at one time do some business with the Duluth, South Shore and Atlantic, but do not now do much business with that line. That road was originally built to connect Marquette and Mackinaw, and then afterwards extended to Duluth.

The CHAIRMAN. What is your understanding of the control of that bridge—who controls it?

Mr. LEDYARD. As I understand the situation, the bridge is controlled by the Canadian Pacific, the Minneapolis, Sault Ste. Marie and Atlantic, known as the "Soo Line," and the Duluth, South Shore and Atlantic, and the control of the stock of the last two companies is in the hands of the Canadian Pacific people, who, through Mr. Van Horne, practically control the operation and the policy of those companies.

The CHAIRMAN. Did you hear Mr. Van Horne's testimony to-day?

Mr. LEDYARD. Yes, sir; I was told by one of the leading officers of one of these roads that Mr. Van Horne was the controlling person in fixing their policy.

Senator GORMAN. He admitted that.

Senator REAGAN. Does that apply to the Duluth road as well as the St. Paul?

Mr. LEDYARD. I speak now particularly of the Duluth, South Shore and Atlantic.

The CHAIRMAN. The right to pass over that road is an important right to American interests, is it not?

Mr. LEDYARD. That depends; now it is not.

The CHAIRMAN. It is a matter of some interest to the Northern Pacific, is it not?

Mr. LEDYARD. Yes, if they want to build down there. What good would it do them to get there if they would have to give their business to a rival road? If other connecting roads should build there it might be a very important right.

The CHAIRMAN. I think some one was trying to build a road from opposite Cleveland up to that point.

Mr. LEDYARD. The Grand Trunk was talking of building a road up there. They have some kind of agreement that gives them a right to cross that bridge when they get there.

Senator BLAIR. Is that a very expensive bridge?

Mr. LEDYARD. I do not think so.

Senator BLAIR. I notice that you touch upon this matter of the general railroad law.

Mr. LEDYARD. Yes, sir.

Senator BLAIR. Is there reciprocity in that regard?

Mr. LEDYARD. I do not think you could reciprocate to amount to anything so long as the Canadian Government is willing to give bonuses to aid in building roads. I do not think you could ever get a railroad law in Canada that would give bonuses to aid outside roads, because the Canadian policy is not to allow the building of rival lines.

Senator BLAIR. But they might have to change their policy in a great many things to give us a fair chance at this trade, might they not?

Mr. LEDYARD. I am not a believer in the general power to build railroads. I think it has done more harm than anything else.

Senator BLAIR. We have it here, do we not?

Mr. LEDYARD. Yes; but I do not believe in it.

Senator BLAIR. Do you think if we should build in the direction of Winnipeg, and American capital should be exerted in that northwestern wheat country and the cereals brought down to St. Paul, we could get our share of the traffic obtainable in that country?

Mr. LEDYARD. I do not think the American roads could compete with the Canadian railroads in face of the subsidies they have.

Senator BLAIR. That difficulty may be in the way, and if that one difficulty is enough to prevent our competing with the Canadian roads, why go on with these flimsy exactions?

Mr. LEDYARD. I do not think it a flimsy exaction to make the Cana-

dian roads live up to our interstate-commerce law and give the properly appointed body here supervision over their traffic.

Senator BLAIR. The interstate-commerce law exercises no supervision over the rate of a tariff.

Mr. LEDYARD. I think they should, so far as foreign carriers are concerned.

Senator BLAIR. Then you want a new law?

Mr. LEDYARD. I think they should observe the rates our Commission say are proper.

Senator BLAIR. In other words, you want us to regulate the amount of fares and the amount of rates on freights in Canada, and provide by law that the Canadian roads shall not carry merchandise cheaper than the American roads do, because if they carry cheaper than we do they take the trade. That is exercising a power in a foreign country that you are not exercising in your own country.

Mr. LEDYARD. I say with reference to traffic that originates or comes into this country.

Senator BLAIR. You think we should treat traffic through Canada in such manner as will prevent the Canadian lines from charging any more to the shipper than the American railroad charges to the shipper?

Mr. LEDYARD. Yes, and that they shall not vary that rate without the consent of the Interstate Commerce Commission.

Senator BLAIR. I have been trying to develop the idea that it is not of the slightest consequence to you railroad people to apply the interstate-commerce law in Canada, as the law is to-day.

Mr. LEDYARD. I agree with you in that.

Senator BLAIR. Then I am glad we understand each other. You are now basing your remedy upon the assumption that we are to regulate the fares and rates of freights on traffic carried by the Canadian roads through the United States?

Mr. LEDYARD. We are to regulate the charges imposed by Canadian railways on traffic passing over Canadian roads from the United States into Canada and from Canada into the United States.

Senator BLAIR. Then if we provide that it shall cost as much to carry that traffic in Canada as it will cost to carry that traffic in the United States, do you say you can compete?

Mr. LEDYARD. Then we can compete.

Senator BLAIR. Now, if along this line where the Canadian Pacific is to be in the future they are to build branches leading to this country by way of Sault Ste. Marie and Duluth and drain that western country; if they are to tap Chicago; if they are to come into the United States by every line of land and water that they choose to invest their capital in, and if they are rich enough to obtain the control of every railroad in this country, why should we not have the same right to invest our capital in reaching that northwestern country and sharing in the traffic? If they are to have the privilege of coming into this country and tapping our commercial centers, why should not our roads, where we can touch and tap the coming development of Canada, have that same privilege?

Mr. LEDYARD. We should.

Senator BLAIR. You think that if they have the privilege of meeting our capital here, we should have the privilege of meeting their capital in Canada?

Mr. LEDYARD. We ought to have that.

Senator BLAIR. It has been shown that Canada possesses 150,000 square miles of as good wheat country as we have, which wheat coun-

try extends 1,500 miles farther on towards the North Pole. Now, why, when the products of that area come this way, should not the American roads haul them?

Mr. LEDYARD. There is no reason why they should not.

Senator BLAIR. The Canadians are not raising the quantity of wheat now, but when they do, is there any reason why American capital should not build roads to tap that country and get the benefit of that long haul?

Mr. LEDYARD. There is no reason why they should not.

Senator BLAIR. And if we build roads in Canada we can extend to Canada the same privileges with respect to this country under a general railroad law.

Mr. LEDYARD. Exactly.

Senator BLAIR. And the remedy for the difficulty now existing lies in this general railroad law affording equal privileges to both countries.

Mr. LEDYARD. Yes, sir.

Senator BLAIR. Then the application of the interstate-commerce law as it is to-day is not a remedy for existing evils, and its application in Canada is not of the slightest consequence?

Mr. LEDYARD. I do not see how it can be enforced. A rebate may be given in Canada, and how are you going to remedy it?

Senator BLAIR. Well, we have got to do some fighting, that is all, unless we can agree upon something. Can you think of any other conditions that ought to be imposed upon Canada, in order to give the American roads a chance?

Mr. LEDYARD. Nothing.

Senator GORMAN. If the rule that you suggest is carried out, what would be the effect upon the producers in this country as to rates?

Mr. LEDYARD. If the entire system maintained rates, and there was no fluctuation, it would make no difference as to the amount of the rate from the great gathering centers to the sea-board. It might if any concessions were made, but in the general question it would not. There is competition enough between the American railroads to always keep rates down.

Senator GORMAN. How with respect to the facilities for carrying the freight?

Mr. LEDYARD. The facilities are more than we want to-day, and are more than we will want for a good many years to come.

Senator GORMAN. Do you not think that if the Commission had power to fix an arbitrary rate on every ton of freight moved, the effect would be that the Canadian roads would put up their rates to the same point?

Mr. LEDYARD. I say that the Canadian roads ought not to be permitted to change their rate without the consent of the Commission. I think the Commission is too broad-minded to allow the Pennsylvania Railroad to make a 20-cent rate from Chicago to New York and not allow the Grand Trunk to do the same. I say that the Commission ought to say to the Canadian roads, "You shall not go below a reasonable rate while our railroads are observing the long and short haul clause, and have to make low local rates on that account, because you can recoup yourselves on the local business in Canada and the American railroads can not."

Senator GORMAN. I understand your reason for that is this: that the Canadian road is constructed by public money.

Mr. LEDYARD. Largely aided by public money, and they can operate cheaper.

Senator GORMAN. And the conditions are such that they can, in fact, carry the grain cheaper, not having to make returns to the investors.

Mr. LEDYARD. Not only that, but they can and do charge higher local rates, and in connection with the investment can operate cheaper than the American roads.

Senator GORMAN. Therefore you would treat the traffic over their railroads like property that comes in from abroad, and you would put a tax upon it, or allow it to come in on such terms as would not be a menace to American railroads?

Mr. LEDYARD. I would not put a tax on it. I would say simply, "If you want to do the business, you shall do it on principles that are just to you, but not unjust to the American railways that have not the aid you have, and that are not able to recoup themselves by charging as high local rates as you can charge."

Senator GORMAN. And you advocate on our side the legalizing of pooling? Would you go as far as Mr. Depew and make the condition that the Interstate Commerce Commission should agree to the rates that shall be charged by the trunk lines before the pool rates become operative? Do you see any objection to that?

Mr. LEDYARD. Not the slightest.

Senator GORMAN. And you think by these two arrangements the cost of transportation to the public would still be kept at the minimum?

Mr. LEDYARD. Yes, sir; and leave a fair return for the investment. I do not think any railroad can for a long time make any money out of the rate of half a cent per ton per mile.

Senator GORMAN. Can any railroad make money out of that rate for any length of time?

Mr. LEDYARD. I think not. It is about one-third of what the English rates are for the same distance.

Senator GORMAN. So with the present facilities we have, and all the improvements we have, you believe that half a cent a ton per mile is lower than you can haul the freight for and make a fair return—say a return of 4 per cent. on the capital invested?

Mr. LEDYARD. Yes, sir; and keep the property up and provide for the betterments.

Senator BARBOUR. Would not your local business stand a higher charge?

Mr. LEDYARD. The local charge was higher heretofore, but the local business is now governed by the through rate. If the through rate goes down, the local rate goes down.

Senator BARBOUR. That is the aggregate, but not the rate per ton per mile?

Mr. LEDYARD. If you put down your through rate to 3 mills, your local rate will go down to 5 mills.

COST OF OPERATING CANADIAN ROADS.

Senator BLAIR. Relatively, how much more expensive is it to operate a railroad in this country than in Canada?

Mr. LEDYARD. I could not give the exact figures, but I should say considerably more. I have bought steel rails delivered in New York as low as $20 a ton, and I have had to pay $35 for steel rails at the Pittsburgh mills.

Senator GORMAN. That is not so of to-day, is it?

Mr. LEDYARD. Steel rails are lower to-day than they have ever been in this country. There is now a combination between the English steel-

rail makers to put up the prices. Again, many classes of labor are cheaper in Canada than here, running from 10 to 15 per cent. lower. Engineers get about the same. Trackmen, conductors, trainmen, operators, station agents, and machinists, I think, run from 10 to 15 per cent. lower than the wages paid to similar persons in the United States. The only thing in Canada that costs more than in the United States is fuel.

Senator GORMAN. Do the Canadians have as good a class of men at these lower prices as in the United States?

Mr. LEDYARD. Just as good men. The best class of common labor I ever saw in my life is on the Canadian railroads. I think in some respects they are a better class of labor than our men. A great many of them are young men. Farmers' sons and men from England and Scotland come over and form a better class of labor than we can get here. The mechanics are about the same class of men as ours.

Senator BLAIR. Do you say that is true of all the railroads in Canada?

Mr. LEDYARD. I say it is true of all the railroads east of Lake Huron.

Senator BLAIR. Among operating expenses, is any one item larger than that of labor?

Mr. LEDYARD. No, sir. Next to the item of labor is fuel, and that costs more in Canada than in the United States.

Senator BLAIR. What proportion of operating expenses do you think labor constitutes?

Mr. LEDYARD. Labor constitutes, I think, not far from 50 to 60 per cent. By labor, I mean all salaries.

Senator BLAIR. Equalizing all expenses for fuel, how do the other items compare?

Mr. LEDYARD. All are in favor of the Canadian railroads.

Senator BLAIR. Can you give an approximate statement of how much greater the percentage of expenditure is in this country than in Canada for operating railroads, taking everything into account, the higher rates of capital and everything?

Mr. LEDYARD. That depends on the length of the railroad.

Senator BLAIR. Then leave out the matter of capital and tell me.

Mr. LEDYARD. That I can not tell you. I think the Canadian railroads, at the higher rates and lower expenses, can earn more on a given amount of capital than an American road can.

Senator BLAIR. Can you give an average of how much?

Mr. LEDYARD. I do not know. They organize their roads differently from ours. They have no bonds. They have first or second preferred stock. Then they have elements that enter into the building of roads there that do not enter here.

Senator BLAIR. Did your road have a bonus from the Canadian Government?

Mr. LEDYARD. Yes, sir; the Canada Southern received certain bonuses. We got $350,000.

Senator BLAIR. Then it was practically the competition of individuals against a foreign government?

Mr. LEDYARD. Yes, sir; practically that.

At 4 o'clock and 55 minutes p. m., the committee adjourned until tomorrow at 10 o'clock a. m.

NEW YORK, *May* 10, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

STATEMENT OF CHARLES S. SMITH.

Mr. CHARLES S. SMITH, president of the Chamber of Commerce of New York City, appeared.

The CHAIRMAN. Mr. Smith, what is your relation to the business men of this city?

Mr. SMITH. I am a retired dry goods commission merchant, and am president of the Chamber of Commerce of New York.

The CHAIRMAN. You have been listening to what has been said here this morning. You will please give your views, in your own way, touching the questions of interest to the public which the committee is here to examine into.

Mr. SMITH. Mr. Chairman, and gentlemen of the committee: The Chamber of Commerce which I have the honor to represent are of the opinion that the interstate commerce bill in its operation has been of very great public service. I believe that we are indebted to you, sir, Mr. Chairman, and to your associate, my friend Senator Reagan, as the authors of that bill. I esteem it to be of great public utility that there has been this free discussion before a committee of the Senate of the United States, who have given so much study to this question and who are so well versed and so well skilled in the various ramifications of the railroad problem.

Now, sir, while my associates in the Chamber of Commerce and I are ready to give credit to the Interstate Commerce Commissioners and to the operation of that law to the fullest extent, yet we are of the opinion that the laws which govern the operation of that Commission are capable of wise revision and amendment. I will endeavor to indicate the points which seem to us desirable in respect to which this law should be amended; but before doing so I wish to ask your indulgence for a very few moments to refer to some facts which relate to the existing state of things.

You, Mr. Chairman, and your associates on this committee, are perfectly aware that for a quater of a century and until recently the great railroad corporations of our country controlled absolutely our State legislatures in respect to every thing which affected the making of laws concerning them.

About ten or twelve years ago a very interesting state of things occurred in New York, which my friend Mr. Kernan, late New York State railroad commissioner, will remember. In consequence of a contest, or a railroad war—perhaps it is too strong to call it a war, but it gave rise to a very great difference of opinion between certain members of the trunk lines—a state of affairs existed in New York which created very great indignation on the part of the merchants. For a period of about three weeks or more New York shippers were unable to send their goods West without paying a discriminating price of from 10 to 22 cents per hundred pounds higher than the same lines accorded to Philadelphia and Boston and to other Eastern cities. The existence of that state of facts was proved, and was admitted by the railroads, and finally terminated in the calling of a very prominent meeting in the Chamber of Commerce in this city. The result of that meeting was an application to the legislature of the State of New York for a committee

of investigation, which caused the appointment of the committee known as the Hepburn investigating committee.

You will admit, sir, I am sure, that that committee did very great service to the public. It supplied us with a vast amount of valuable information concerning railroad methods, which did great service both to the railroads and to the public, and which has been the basis of subsequent railroad legislation throughout the whole country. The outcome of this Hepburn investigating committee was the appointment of a State railroad commission in New York State, and the working of the railroad commission was so satisfactory to the Chamber of Commerce, and to the merchants of New York generally that they were prepared to favor the interstate commerce bill. We were prejudiced in favor of it at the start.

THE LONG AND SHORT HAUL CLAUSE.

One of the Senators from our State at the time this bill was under discussion—I think it was in January 1887— wrote a letter to the Chamber of Commerce asking them to consider the provisions of the proposed bill for the regulation of interstate commerce, and to submit to him their views upon the subject. A committee of the Chamber of Commerce considered the bill and made a report, and I think experience since then has justified the conclusions at which the committee arrived at that time.

The committee feared that the long and short haul provision in section 4 of the bill would have a tendency to diminish our export trade, and that it would have a like tendency to retard the progress of the West and decrease the value of farming lands.

Now, sir, I want to call your attention to a few facts in substantiation of the opinion which the committee of the Chamber of Commerce then entertained, and which it now entertains. Before doing so, however, I will allude to a fact familiar to you, which will lead up to the figures to which I ask your attention.

The foreign export price of flour and grain is fixed mainly in London. Chicago fixes the home price, and the question whether Chicago can meet the English price or the continental price depends mainly upon the price of transportation between Chicago and the sea-port. Now, necessarily, that price must be elastic. We have to compete in foreign markets, and the competition with India, Russia, and the Black Sea districts is growing every day, and they are supplying a large portion of the foreign demand to our exclusion.

The balance in our favor with all foreign countries was, in—

1877	$151,000,000
1878	257,000,000
1879	264,000,000
1880	167,000,000
1881	259,000,000

Since 1881 the balance in our favor has gradually been reduced until 1887, when the excess was only $23,000,000, and in 1888 the balance of trade against us was $28,000,000.

Now, I do not pretend to claim that this is all due to the operation of the long and short haul clause in the interstate-commerce bill, but I do claim that that is one of the important factors, and unless it is modified as far as it affects the export trade it will affect injuriously the revival of the demand for our Western products in the future.

I am sure, sir, if in your wisdom you do not recommend some change,

at least in the direction of export products, that the European markets will be largely supplied, more so than in the past, by India, Russia, and the Black Sea districts. They are already, as I have before remarked, usurping our former place in those markets to a very large extent.

THE QUESTION OF POOLING.

Now, gentlemen of the committee, as to pooling. The Chamber of Commerce never considered that an unmitigated evil. We have always considered that there were two sides to the question and that there was a good deal to be said on both sides. We feel sure, sir, that the operation of pooling tended largely to decrease the outrageous discriminations against certain individuals and localities which existed before the pooling system came into operation. It secured greater uniformity of rates. Of that I am certain from my own experience as a shipper. It was of more benefit to a shipper to negotiate with Mr. Fink as representing all the trunk lines than to visit all the offices in the city in detail and try to deal with them. Those were the advantages.

It had its disadvantages, which I must mention. It had this very grave disadvantage, that it was absolutely and entirely under the control of the railroads. There was no law above them. There was no one to call them to account, and they pursued that advantage sometimes very arbitrarily.

Now, if you could see a way by which you could recognize this pooling system in some degree, and place it under the immediate supervision of the Interstate Commerce Commissioners, I am of the opinion that the disadvantages of the system would be done away with to a very large ex- and the advantages to which I referred would be made available. I think it would be wise to try that measure.

We in New York always considered when this interstate-commerce law was framed and went into operation that it was, to a certain extent, tentative. It was a radical departure from previous methods. We supposed, as a matter of course, that no body, wise as is the Senate of the United States, could frame a law, which, if experience proved was necessary, would not have some amendment, and I think in the matter that I have indicated it is worthy of your study, although I am quite aware that similar arguments have been addressed to you over and over again.

One great difficulty with the operation of the present law is this: I do not believe that the law is carried out by the railroads. A very prominent railroad official told me the other day that he believed the interstate commerce law was violated secretly every twenty-four hours, and that this was true of all the trunk lines. This may be a strong statement, but there is very little belief on the part of the railroad officials or the public that this interstate law is observed in its integrity.

VALUE OF THE CANADIAN LINES.

Mr. Chairman, I desire to say a few words about Canada and the Canadian lines. As to the Canadian lines, they have been of very great advantage to New England and to the West. There are a large number of very important mills, with a production of from one to two millions per annum, located in the East, notably at such places as York, Lewiston, Saco, and Biddeford, which can ship their goods by the Canadian lines direct to Chicago quite as cheaply, and I have known

instances in which they have have been shipped 5 cents per hundred cheaper, than they could be landed in New York from the points I have named.

Now, it is unfair to cut off Chicago and other Western cities from these facilities. If you should do away with competition by the Canadian lines our Western friends would, in many instances and at certain times, have to pay at least 50 per cent. more on freight, because the goods would have to be brought to New York or Boston and then shipped to the West.

I agree with my friend, Mr. Wiman, and other friends that commercial union and fair reciprocity with Canada is a very good thing to have. We have five millions of people there, and if—and this is a big "if," I admit—but if Canada would assimilate her tariff to that of the United States, make it alike, or substantially like ours, then, in that case, I should be glad to see as free trade between the United States and Canada as to-day exists between the State of New York and your own State of Illinois. I do not say that it is possible; it is not possible in the near future, but I think it looms up in the distant future, and when it comes I think it will be advantageous to all of us.

In regard to these Canadian lines, I have some considerable fault to find with them in reference to a statement which I will now make to you. The firm with which I was formerly connected shipped for export last year, I think, about two millions of plain cotton goods. These goods were sent largely to China, some few to India and Japan, and some to the Red Sea ports. Every bale of those goods was shipped by the Canadian Pacific line and by English steamers from Vancouver. I think that this is substantially true of probably from six to seven million dollars more of cotton goods which were exported by our Eastern and Southern mills last year. I am told that more than 90 per cent. of our export of cotton goods went by that line—the Canadian Pacific. And it is probable that the tea and silk trade will also be diverted in the same direction.

There is some reason for that. You can not make this diversion of trade from the former methods of shipment to the Canadian Pacific Railway, as I have remarked, without a reason, and that reason must be a pecuniary one. I have no proof that the Canadian lines have given rebates to secure this trade, but certainly some inducement has been given for this diversion of trade.

I consider it, furthermore, absolutely unfair and unjust to our exclusively American lines that the Canadian lines should be permitted to take goods in New England, carry them through Canada, and re-enter the States of Michigan and Illinois and deliver those goods in competition with our lines unless they are subjected to the same conditions, substantially, to which our lines are subjected.

I know that the Canadian railroad officials claim that they observe the provisions of the interstate-commerce law. It is denied on the part of our American friends. I know personally that the Canadian lines are getting a very much larger percentage of business from the New England States and Chicago than they received in former years, and I think it is due to our exclusively American lines that they should have a fair investigation of that subject, and that the question, as far as they are concerned, should be put upon a fair basis. That is, we ask fair play for American lines; we do not ask anything more.

I will be glad to answer any questions, Mr. Chairman, which any member of the committee may see fit to ask.

SHIPMENTS TO CHINA AND JAPAN.

The CHAIRMAN. You referred to a shipment of cotton goods by your old firm by way of the Canadian Pacific Railway to the Pacific coast. What road did it go on from here to where it struck the Canadian Pacific?

Mr. SMITH. It went by the Grand Trunk line through Maine.

The CHAIRMAN. Your firm is located here in New York, is it not?

Mr. SMITH. Yes, sir; and in Boston, too.

The CHAIRMAN. What is the method of shipment of these export cotton goods?

Mr. SMITH. When full car-load shipments are to be made the railroad company runs cars into the mill-yard, and, when loaded, removes them.

Senator REAGAN. Do you send by water or by land?

Mr. SMITH. By land to Vancouver; then by water to China.

Senator REAGAN. How much less did you say the charge was for transportation on the Canadian lines than could be procured on American lines?

Mr. SMITH. I did not state that. I do not know. I stated that there must have been some discrimination in order to secure the diversion from the American to the Canadian lines.

Senator REAGAN. Do you know what the actual charge is this year?

Mr. SMITH. Goods go by the Canadian Pacific Railroad to Vancouver, and then take English steamers on the Pacific. The cost of freight taken from the mills, say at Lowell, Mass., or other large manufacturing cities in New England, for drills and sheetings landed in Shanghai, China, is $13 for 40 cubic feet. Exceptional rates have been made as low as $12.

Sheetings are packed twenty pieces of 40 yards each in a bale, and drills fifteen pieces of 40 yards; four to five bales of sheetings 36 inches wide, and six bales drills 30 inches wide, measure 40 cubic feet.

The advantage of shipping by the Canadian route is the saving of handling. The goods loaded in cars at the mills are changed only once, whereas by other routes, starting say from New York, two more handlings are necessary, and the extra expense of carting is to be added. The frequent handling of baled goods for export is very objectionable.

By direct steamer from New York to Shanghai, via the Suez Canal, the price is 40 to 45 shillings sterling per 40 cubic feet landed in Shanghai. This route takes thirty days longer and insurance costs ⅜ of 1 per cent. more than by the Pacific Mail and Panama route or by the Canadian Pacific. Shipments by Pacific Mail, via Panama, to San Francisco, by steamer to Shanghai, cost $30 per 40 cubic feet.

One large American shipping house occasionally loads chartered steamers (route via Suez Canal) with their own shipments at a presumed saving in the cost of freight over other modes of shipment.

Tea and silk from China and Japan come mainly to this country by the Suez Canal route.

The CHAIRMAN. The Interstate Commerce Commission have recently intimated that they would require the publication of the inland route separate and distinct from the rate to China, for instance. Do you know what the inland rate was, or whether it was a separate rate from the rate clear through?

Mr. SMITH. No, sir; I do not. The only rate given is a through one

THE EXPORT BUSINESS.

Senator REAGAN. Do you think it would be advisable to repeal the fourth section of the bill, the long and short haul clause?

Mr. SMITH. I think it would be advisable to amend it, at least in respect to our export business. I think that we should allow more latitude to exporters; that is, that we should do nothing to prevent our products going abroad. It is a great aid to us. While I would not abrogate it absolutely, I think that in regard to export business some amendment should be made.

Senator REAGAN. Would you favor an amendment that would enable the roads to carry freight through from Chicago, for instance, to the sea-board for less than the cost of transportation, in order to reach the competition of Russia and Asia?

Mr. SMITH. I think it would be an evil, but it would be the lesser of two evils. We must make rates so that our produce can be exported.

Senator REAGAN. In that event would not the result be that the railroads would be greatly the sufferers on account of the loss of revenue, or they would have to tax the people of New York or other States more than reasonable rates in order to make up the deficit of revenue?

Mr. SMITH. I think there is some foundation for that argument, but, at the same time, the export business is so small a percentage of their entire traffic that that question would not have very great weight in the general result of their earnings.

Senator REAGAN. If the export traffic is very small, compared with the income of those lines, would it not be a great hardship to impose upon that internal commerce a burden not proper for it to bear in order to facilitate some other interest?

Mr. SMITH. I think so, sir, to a certain extent, but I think it would result in the greatest good to the greatest number, and I think it is very much to the advantage of the West, and, indeed, to the whole country, that we should not prohibit our export trade. While there is truth in what you say, and the railroads must make a profit on the average, yet I think it is so desirable that we keep this export business moving that it would be the lesser of two evils if the lines did occasionally carry a thousand cars of grain at a little less than the cost of transportation.

Senator HARRIS. Is not your recommendation practically this: That the law should be so amended as to authorize the carrier to publish two through rates, one a through rate for export traffic, and the other the rate to New York, for instance, for domestic consumption—two through rates for the same character of merchandise, but at different rates of transportation over the same line and between the same points?

Mr. SMITH. Yes, sir; practically that.

The CHAIRMAN. Could that be done without encouraging fraud?

Mr. SMITH. I think so under the direction of the Interstate Commission. Suppose you should permit the railroads to make a through rate, in combination with the steam-ship lines, from Chicago to Liverpool.

Senator REAGAN. Would not that destroy the business of your local merchants here?

Mr. SMITH. No, I think not. Our merchants in New York are largely brokers, as far as the export of grain is concerned. For instance, they make contracts for delivering the grain that is stored in Chicago, just as we do with our cotton mills. We formerly kept all our goods here in New York. Now we largely keep samples here, and deliver orders from the mills. It is a saving of handling and freight. New York merchants make contracts, and deliver grain from the elevators in Chi-

cargo to the ships in our harbor, and save handling and storage charges in New York.

Senator REAGAN. Would you regard it as fair to the people of this community to compel them to pay more than the cost of transportation of their flour from the West in order to enable the railroads to carry grain and flour for less than the cost of transportation for the foreign markets? Would it be just to the people of this country and this city?

Mr. SMITH. I do not think it would be just, to answer that question abstractly, but at the same time I go back to my original proposition that it is the lesser of two evils. We can not eat all we raise. We must have a foreign outlet for our products or stagnate, and we must have it by the sea-board and in competition with Russia and India and the Black Sea. There must be a combination between steam-ship lines and our railroads in order to meet that competition, and they unitedly must make a price that will enable us to secure a foreign market for our export products.

Senator GORMAN. You do not attribute the decrease in our exports to the long and short haul clause alone or the railroad charges in our country, do you?

Mr. SMITH. No, sir. I stated that I did not attribute it to that alone, but I think it is one of the factors.

Senator GORMAN. Is it not a very minor factor? Are there not other conditions?

Mr. SMITH. I think so (corners in wheat, for example, are factors in obstructing export), but it is not an unimportant factor, sir. I think that we are going to have bitter competition with India. They are building roads very rapidly; they are bringing grain to the sea-board, and I am very apprehensive that we shall lose our markets abroad——

The CHAIRMAN. In any event?

Mr. SMITH. Yes, sir; in any event, unless we make extraordinary exertions, which we must do; it is vital.

The CHAIRMAN. Is there any condition of accommodation to the transportation lines of the country that in a year or two hence will enable us to successfully compete with India?

Mr. SMITH. I am not a prophet, but I should think there is. I think with our labor-saving agricultural machines and the ingenuity of our people at the West we can compete with them. We are doing so to-day in the manufacture of cotton goods, although we are paying 40 to 50 per cent. more for labor than are the manufacturers of England; I mean on a low grade of goods, where the cost of production is mainly in the raw material. We are competing with England in the China and Japan markets. This is done solely by Yankee pluck and the use of the best labor-saving machinery. I do not think our great West is going to be satisfied without customers abroad.

Senator GORMAN. Is it not a fact that since the passage of the interstate-commerce law with the long and short haul clause there has been a very large decrease in the aggregate charges from Chicago to New York, for instance, on grain and all other dead freight?

Mr. SMITH. I have that impression, but I can not answer the question with any exactness. I have been out of business for eighteen months, and have not been interested in the matter. Formerly I took great interest in it, was chairman of the interstate commerce committee of the Chamber of Commerce, and kept the run of it.

Senator GORMAN. If it be a fact, as it is, that there has been a very considerable decrease in the aggregate charge for the through haul from Chicago to New York, and that it is now about a half a cent a ton a

mile, do you believe, as a business man, that it is possible for the carriers to carry for much less than that?

Mr. SMITH. I should say not, with the present state of their watered stocks. If they were capitalized at what the roads actually cost then I should think they might do so.

Senator GORMAN. Eliminating all that—I am talking about the operating expenses, without regard to the capital invested—if it be a fact, as asserted by the railroad people, that it is not possible to haul freight and pay operating expenses for less than a half a cent a ton a mile, and the roads are now down to that point, does it not follow, as a matter of course, that you must look finally for economies to meet this competition that you talk about?

Mr. SMITH. Yes, sir; that would be entirely true, if we did not all know that as soon as trade revived the railroads would put up prices. There is no law to govern or stop them from putting up prices to double what they are now. They have done it before. It is only natural to expect they will do it again.

Senator REAGAN. We have this law now, that under the interstate commerce law the Commission has the right to demand copies of rates, and that the rates must be reasonable.

Mr. SMITH. That is a very elastic word. If one man was asked what "reasonable" meant in regard to freight he might put it at 10 cents per hundred, another at 15 cents, and another at 20 cents. I think the rates are very reasonable now. None of us have any complaint to make as to the present rates.

Senator GORMAN. Is it not true that your rail competition comes from the fact that the English and Russian Governments, as such, are constructing railroads in India and Russia, and then supplying the line of steamers with public money to carry their freight to Liverpool and elsewhere at a rate that it is not possible for private competition to meet? Is not that the trouble?

Mr. SMITH. I am sure that we in this country can never compete on ocean-carrying trade if our Government is going to pursue the policy that it will not subsidize ocean steamers. England is doing it whenever it is necessary, and we have got to let them do the ocean-carrying trade unless we arrive at the conclusion that it is best to have American steamers. The English Government has built her ocean steamship business under absolute protection principles. When I first crossed the Atlantic the English steamers got $15,000 for carrying the mails each trip; and, of course, we can not compete with England, France, or Germany until we do something of that sort at the commencement.

Senator GORMAN. So that it is not alone the charges on our railroads that control this trade?

Mr. SMITH. There is not a single American steamer on the north Atlantic now (if we except one or two that were bought by the Inman Line, formerly running from Philadelphia as American ships) between New York and any European port. The foreign companies on the average pay small dividends, and the people are satisfied, and of course we can not compete with them now unless we have Government aid. It would be utterly useless to attempt it without it.

Senator GORMAN. Is not that the real reason why you are compelled to ship your cotton goods, which you say are manufactured in the United States, and go west to the Pacific Ocean and then to China and Japan, by the English lines?

Mr. SMITH. Yes, sir; but not entirely. We used to ship our goods

by the Pacific Mail and by the Union Pacific. We formerly had large shipments by direct steamers here that were loaded in New York, went through the Suez Canal, around the peninsula and into China.

Senator GORMAN. That was all prior to the completion of the Canadian Pacific?

Mr. SMITH. Yes, sir; but they are running to-day. They advertise, but they do not get much freight, at least of cotton goods. I saw an advertisement in the Journal of Commerce yesterday of that line of steamers. It is a question of prices. Anybody will ship by the cheapest line, other things being equal.

Senator GORMAN. Is it not a fact that the English Government have subsidized lines of steamers running from Vancouver to China and Japan?

Mr. SMITH. Yes, sir; that is true.

Senator GORMAN. Is not that the reason principally why the trade is now being diverted and all of it sent over the Canadian Pacific?

Mr. SMITH. I have no doubt it is one of the factors contributing to that end.

Senator GORMAN. How are we to meet it?

Mr. SMITH. We must do the same thing. Why should we not do it? We have done it for the railroads. Why should we not do it for the steam-ships? It concerns our dignity as a nation, as well as our interest, to have our own ships.

Senator GORMAN. So that I understand you to say that in dealing with this question and holding our own on both the Atlantic and the Pacific, we have got to look beyond the railroads to the steam-ships?

Mr. SMITH. Yes, sir; in my opinion, in the end.

STATEMENT OF J. H. HERRICK.

Mr. J. H. HERRICK, a grain merchant of New York City, appeared.

The CHAIRMAN. What is your official relation to a portion of the merchants of this city?

Mr. HERRICK. I am a grain merchant, and have been for thirty years or more.

The CHAIRMAN. Are you not at the head of some organization?

Mr. HERRICK. I am chairman of the committee on interstate commerce of the New York Produce Exchange, the largest collection of merchants in New York.

The CHAIRMAN. You have been listening to and reading what has been said here before this committee for several days, and you know generally what the committee's mission here is. Will you proceed now, in your own way, with what you have to say in reference to the general subject?

Mr. HERRICK. I did not understand that the interstate commerce law was as much under discussion as it seems to have been here.

The CHAIRMAN. The committee has not come here for a general discussion of the interstate commerce act. That has only come in by way of sufferance and by way of suggestion. The purpose of the committee here principally is to deal with the Canadian question. You can refer to either or both if you think proper.

Mr. HERRICK. I will begin with the law, because I differ very much from the views of the previous witness.

The CHAIRMAN. Well, give us your views.

Mr. HERRICK. Before the law was passed pooling was customary

and general, and under the system of pooling then in existence the discrimination was of the most flagrant and unjust character. Since the passage of the law, the abrogation of pooling and the enforcement of the long and short haul clause, the position of the merchant has very greatly improved and there is very much less discrimination than previously existed, and we now feel that the only or principal fault of the law, prior to its amendment in March, was that its penalties were not sufficient.

It would seem as if the law was drawn and its penalties emasculated before it was passed, but some of these objections have been remedied by the legislation of last March, and as a general thing the condition of the mercantile interest in this country is very much better than it was previous to the passage of the law.

THE EXPORT TRADE.

But the railroads have adopted another system which is totally destructive to the commerce of the entire sea-board, namely: They make cheaper through rates, including ocean freight, to any foreign port than they will make for the same article to the sea-board, and the committee of which I am chairman was formed about a year ago to try this unlawful discrimination before the Interstate Commerce Commission, on the trial of which we proved that bills of lading on the same day from Milwaukee to Liverpool were 19 cents a hundred and 33 cents a hundred to New York, and as a result of that trial it was admitted by the railroad defendants that the rates would average 10 to 12 cents more per hundred for sea board transportation than for export consignment.

Senator HARRIS. At what date was that?

Mr. HERRICK. That was a year ago last January—January, 1888; the case was tried in June; the system generally prevailed of a discrimination against the sea-board, and the effect was to totally destroy the commercial interests in grain and provisions in New York.

The CHAIRMAN. On account of the discrimination between export products and those coming to New York and Boston for local consumption?

Mr. HERRICK. Yes, sir; local consumption or export sale from here. The argument has been advanced, as the witness before me advanced it, that cheap transportation, or rather a cut rate, should be made in order that our surplus may compete in foreign markets, whereas although the making of a cheaper rate to Liverpool may temporarily stimulate the movement and thereby depress that market, which not only affects the price on the western farm but all over the world, the ultimate result is injurious; it is a very simple matter to prove this; foreign markets depend on our surplus grain and provisions; if withheld, prices in Europe would be much higher; if you let the natural law take its course without this artificial stimulus of supplies, the markets will absorb our surplus at better prices without unjust discrimination to the merchants of the sea-board, who have large warehouses, capital, and plants for the management of a share of our exportable products.

The CHAIRMAN. What remedy have you to suggest for the present condition of affairs?

Mr. HERRICK. The railroads as a general rule seem to give their hearty approval of the law, provided pooling and the long and short haul clause were altered, but I believe it is the opinion of our merchants judging from the treatment of the mercantile interests by the railroads, that the very things the railroads want abrogated are the very things the mercantile interests want kept in force.

The production of grain all over the world has increased, and it is a wider question than 1 or 2 cents on a rate between Chicago and foreign ports. It is a far wider question. There is no rate than can be made that can overcome the overproduction of grain, and unless we change our farming more in keeping with the English plan, where their average is from 28 to 30 bushels to the acre, while ours is only 12 bushels to the acre, in twenty years we shall have no grain for export, but will consume it all ourselves. Our land needs the English system of high manuring to produce from 28 to 30 bushels to the acre, and that will not come until it is forced upon us. The producing region is moving west, and after awhile we will reach the limit of virgin-soil production.

Now, the rate of freight from Chicago to New York to-day is 8 cents a bushel, lake and rail. That is equivalent to about 18½ cents a hundred, and the railway people say that it is utterly impossible for them to haul grain at less than 20 cents a hundred and get their money back. In the season of open-water navigation all-rail rates are very low indeed, or else all grain comes down the lakes and takes either the canal or railroad at Dunkirk, Buffalo, or Erie.

We have sustained canals in the State of New York for years, and these canals are regulators of rates. Without the canal to regulate the railroads the rates would be higher all the year around. We are opposed to shutting out the Canadian roads, because they act in the winter as the canal acts in the summer season to regulate the railroad rates. If the Canadian railroads were prevented from hauling this property the trunk lines in the United States would naturally raise their price.

The CHAIRMAN. Suppose the Canadian railroads are put under the operation of the same law that the railroads in the United States operate under?

Mr. HERRICK. I was just coming to that. So far as the State of New York is concerned, it is probable that from a selfish stand-point the cutting off of those roads would bring to New York and Philadelphia a good deal of property that now goes through Canada to Portland or Boston. But New York has no selfish interest when you want to benfit the whole country. We need the Canadian roads as a regulator, but we must put the Canadian roads under the same system of government as our own roads.

The CHAIRMAN. How would they be a regulator if they were under the same system?

Mr. HERRICK. The more the avenues of transportation the cheaper would be your rate.

The CHAIRMAN. That would be the theory.

Mr. HERRICK. Yes, sir.

Senator BLAIR. With a pool?

Mr. HERRICK. I am not in favor of a pool. I am very much opposed to a pool. The previous witness stated that pooling, under some plan of supervision by the Government, would be a good thing, but it seems to me that is simply another way of stating that a Government regulation would be the best thing to have, and I am not sure that these railroad gentlemen can be kept in order without Government regulation sooner or later.

The CHAIRMAN. We have some Government regulation now.

Mr. HERRICK. Now, as to this cheaper rate to the foreign consumer than to the sea-board consumer, we think it is very wicked. We have not had a decision from the Commission yet, but we are expecting it. Minneapolis flour is cheaper in London than in New York City. It is

taken over there cheaper than it is brought to the sea-board. At times American flour can be bought in London and brought back here and sold at a profit.

The CHAIRMAN. What is the explanation of that?

Mr. HERRICK. It is carried over there so cheaply.

The CHAIRMAN. By what route or routes?

Mr. HERRICK. I do not know by what route it arrived there.

The CHAIRMAN. What route did it take from Minneapolis?

Mr. HERRICK. It probably came over the trunk lines.

The CHAIRMAN. Did it travel on the rail at all?

Mr. HERRICK. Yes, sir; all rail. It was winter season. Last January there was a difference of 10 or 15 cents per hundred on a through bill to London as against New York. That is 30 cents a barrel.

The CHAIRMAN. It went through some port of the United States; went out and came back again through some portion of the United States, did it?

Mr. HERRICK. Yes, sir; but all routes compete at this rate.

The CHAIRMAN. And yet it can get to London at so cheap a rate that it can come back here and be sold at a profit.

Mr. HERRICK. Yes, sir; but I do not mean to say that it was a constant thing, by any means. The opportunity occurred, however, from time to time.

The CHAIRMAN. What does it cost you to get your flour from the Minneapolis mills at this time?

Mr. HERRICK. Mr. Carl can tell you better about that. I deal in grain and not in flour.

Mr. CARL. Twenty-seven and a half cents a hundred from Minneapolis here.

The CHAIRMAN. These lines of steamers operated by the Canadian roads, or operated in connection with them, are subsidized by the British Government, are they?

Mr. HERRICK. Yes, sir; so I understand, and they receive quite large subsidies. With the same subsidies I believe we could do our share of the carrying trade without a doubt.

The CHAIRMAN. You think that this reduction of export, which has seemed to be going on for a number of years, has other cause than local legislation.

Mr. HERRICK. Very much so. The interstate commerce act can not affect our agricultural products one jot I should think. It is a very much larger question.

The CHAIRMAN. It is a question of supply and demand.

Mr. HERRICK. Yes, sir; the world demand. I do not think economically that the most profitable thing that we can do is to raise grain for export. I think we get less money out of it than on any other articles we raise.

The CHAIRMAN. You also expressed the belief that unless there is a more economical condition of affairs in the agricultural business of the country we will not raise any more grain than we need for ourselves.

Mr. HERRICK. The increase of population is greater than the increase of our producing area, and we will reach a point in a very few years when we will consume all our products. Our crops were deficient this year; there was a large deficiency. It was 60,000 less of wheat than our usual production.

The CHAIRMAN. For the year 1888?

Mr. HERRICK. Yes, sir. We began on a declining scale of prices in 1883. Prior to that time $1 for a bushel of wheat in New York was con-

sidered hard pan, and we felt absolutely sure that it would range higher than that, but since 1883, under increased foreign production, cheaper methods of cultivation and much lower rates of transportation the par value of wheat seems to have declined from $1 per bushel to 80 cents.

The CHAIRMAN. That is so everywhere, is it?

Mr. HERRICK. Yes, sir.

The CHAIRMAN. On account of the increased production?

Mr. HERRICK. On account of the increased production throughout the world. If the penalties of the interstate commerce act are made sufficiently stringent it will be found to be a vast advantage both to the railways and to the merchants. The railway people themselves state that if this law can be enforced they would like nothing better.

The CHAIRMAN. And the merchants say the same thing?

Mr. HERRICK. Yes, sir. I want to say on this subject of through freight that it is not a question of New York charges or New York commerce. The New York merchants only ask that if the rate be 20 cents to New York that the ocean rate shall be added and nothing else. It is not that the sea-board people want to tax this traffic in any way.

The CHAIRMAN. You express the belief that these Canadian roads ought to be put under the operation of the interstate commerce act, so far as any business touching the United States is concerned.

Mr. HERRICK. Yes, sir.

The CHAIRMAN. And if that were done you would be satisfied.

Mr. HERRICK. Yes, sir; and if it can not be reached in any other way I do not see but that you will have to exclude them as the lesser of two evils.

The CHAIRMAN. You would not favor the exclusion of the Canadian roads unless there were no other way to prevent their getting an advantage over American capital and roads.

Mr. HERRICK. No, sir. The question of the most good to the largest number is reached by the largest number of carriers.

Senator GORMAN. You stated a moment ago that the Erie Canal was a regulator of the railroad charges during the season of navigation.

Mr. HERRICK. Yes, sir.

Senator GORMAN. Is it a very important factor?

Mr. HERRICK. We consider it very much of a factor; yes, sir.

Senator GORMAN. It is now practically a free canal?

Mr. HERRICK, Yes, sir.

Senator GORMAN. What is the result of that; to bring the railroads down to the minimun charges?

Mr. HERRICK. Yes, sir.

Senator GORMAN. And the prices are satisfactory to the merchants generally, are they?

Mr. HERRICK. Yes, sir; the prices at present are as low as could be expected or wished. I paid years ago 50 cents a bushel for wheat from Chicago to New York, and you can bring it now for 8 cents.

Senator GORMAN. Now, what effect have the Canadian railroads on this transportation by lake and through Canadian canals?

Mr. HERRICK. There is some diversion in that direction, in years of large supply and active foreign markets, when the rates are variable; but the carrying tonnage by way of Montreal is not sufficient to make that an important factor.

Senator GORMAN. Then that is for want of transportation from Montreal on ocean steamers?

Mr. HERRICK. Yes, sir.

Senator GORMAN. But I am speaking of that route itself. Do you know anything about the condition of it?

Mr. HERRICK. Do you mean whether it is in working order?

Senator GORMAN. Yes; and as to its economy, and whether it is likely to be an active competitor with your water lines in the State of New York.

Mr. HERRICK. I do not think I have studied that matter sufficiently to make my views of any value. There is talk of deepening the Welland Canal and taking larger vessels through. But the navigation of the St. Lawrence is intricate and dangerous, and I think that will always handicap that route.

Senator REAGAN. What is the cause of danger there?

Mr. HERRICK. It is the great distance and the rapidity of the current, and they have a canal that goes by the rapids above Montreal.

Senator GORMAN. I understood you to say a moment ago that you were opposed to pooling.

Mr. HERRICK. Yes, sir.

Senator GORMAN. Are you opposed to an arrangement by which the railroads could come together as they do now and agree upon uniform basis of charges for various classes of freight between here and Chicago?

Mr. HERRICK. I should have no objection to that.

Senator GORMAN. Then if they made such a rate as now exists, a low and satisfactory rate, and made an equal charge to every shipper, it is what you desire, I understand, as a merchant?

Mr. HERRICK. Yes, sir; it is necessary in order that the merchant might live. One man can not live if another has a better rate than he. If a large proportion of the movement of grain or provisions goes in one direction it is moral evidence that the rate of freight has something to do with it. Water does not run up hill.

Senator GORMAN. That is what they profess to do now.

Mr. HERRICK. Yes, sir.

Senator GORMAN. What objection would you have, as a merchant and citizen, if the law permitted the railroads to make that combination and agree upon the rates as they are now, and they were enforced under the provisions of the law after the Interstate Commerce Commission approved the rates so agreed upon?

Mr. HERRICK. Well, my experience with them makes me very distrustful of railroads, and if this plan fails then I agree with Mr. Smith that Government supervision is the only thing that will keep us safe.

Senator GORMAN. Would not that afford you greater protection than you have to-day?

Mr. HERRICK. Well, I do not think pooling would. I do not know that I could tell exactly why it would not.

Senator GORMAN. Do you think it would give more stability to rates?

Mr. HERRICK. It is not necessary to have a system of pooling to have uniform rates. They do that by agreement without pooling.

Senator GORMAN. Well, it is the same thing. I treat the pool as an agreement with respect to rates.

Mr. HERRICK. There is no objection to an agreement as to rates if that was all.

Senator GORMAN. Then would not the public be very much better protected if it came within the law that the Interstate Commerce Commission had a right to enforce that contract and see that it was absolutely fair between points and individuals?

Mr. HERRICK. If that is all there is in pooling, yes.

Senator GORMAN. What else do you understand there is in it?

Mr. HERRICK. I do not know what else there is about it.

Senator HARRIS. Allow me to inquire if under the pooling contract the pool shall control the distribution of freights and deprive the ship-

per of the privilege of selecting his own line, would not that be an inconvenience and an evil?

Mr. HERRICK. Yes, and an injustice besides.

Senator HARRIS. I think so, too. If, on the other hand, any one carrier failed to get the percentage of traffic that the pool allowed him, he was paid in cash to make up the deficit for services that he had not rendered and that were rendered by another carrier, and would not that be an injustice and a wrong? To illustrate: If the Erie road is entitled to such a percentage of traffic and fails to get it and the New York Central does that amount of traffic in excess of the percentage allowed it, and the New York Central is compelled to pay the difference and make up the shortage, would it not be an injustice and a wrong?

Mr. HERRICK. Supposing such an allowance were not made, the the natural tendency of the Erie road, for example, would be to cut the rate. They would have to put the price down to such a point that they would get some business.

Senator HARRIS. So I understand. But if the Erie road did not get its percentage of the traffic and the New York Central got an excess of the percentage allowed it, and the New York Central carried the freight, and the New York Central had to make up the shortage, as there is some evidence tending to show it did, if it does not absolutely show it, under the old pooling system, the Erie having received $500,000 a year chiefly from the New York Central, is not the effect of that, that the New York Central road has done that amount of business for which it gets no compensation, and the Erie gets that amount of money for which it renders no service?

Mr. HERRICK. It seems to me the railroads are quite as great a necessity to the merchants as the merchants are to the railroads, and no system can be carried on unless it brings with it fair compensation, and the effect of paying the Erie for traffic it did not carry is to keep rates at a moderately remunerative basis. That is the object. The merchant will not gain by the bankrupting of the railway, and if the railway does not receive a compensation of some kind it will reduce the price to get the business.

Senator HARRIS. Then you think it is wise to sustain a road that is not necessary to the commerce of the country through which it runs?

Mr. HERRICK. There is a mercantile standard that if every carrier maintains will be of advantage to the whole country.

Senator HARRIS. Do you not think if the New York Central could carry an amount of traffic, the charges upon which aggregate $500,000 a year without compensation, that it could carry those freights that it got for a less price than it is in the habit of charging when it mal[illegible] this half million of dollars?

Mr. HERRICK. There is no question of the correctne[illegible] tion theoretically, but the very moment there are a less [illegible]ber o[illegible] r-riers there will be a higher price for those remaining.

STATEMENT OF EDWARD H. AMMIDOWN.

Mr. EDWARD H. AMMIDOWN, of the Chamber of Commerce of New York, appeared.

The CHAIRMAN. You are a business man, and occupy an official relation to some commercial organization, do you not?

Mr. AMMIDOWN. Yes, sir.

The CHAIRMAN. Please state what that relation is.

Mr. AMMIDOWN. I am chairman of the committee on foreign commerce and the revenue laws of the Chamber of Commerce of New York.

The CHAIRMAN. Are you in active business besides?

Mr. AMMIDOWN. Yes, sir.

The CHAIRMAN. Will you please, in your own way, give your views to the committee on the subject under consideration, more especially with reference to our relations with Canada on the transportation question.

Mr. AMMIDOWN. Mr. Chairman, I heard what Mr. Smith, president of the Chamber of Commerce, had to say. He went over the ground very fully, and as to the material part of his observations I fully concur. There may be some statements or details of fact in which I might differ with him, but generally I would like to be understood as indorsing what Mr. Smith has said in respect to the question as to what arrangement can be made to prevent the Canadian roads competing unduly with the American roads.

I do not believe there is much difference of opinion on that subject. It is a question of fair dealing. No man would claim—I do not believe a fair Canadian himself would—that the Canadian roads should be allowed to take advantage of specific legislation controlling American roads. I am quite sure the American people will not stand it.

The argument that perhaps cheaper transcontinental transportation or transportation from the interior of the country, through Canada, to the sea-ports might be of advantage in promoting foreign commerce I do not consider of much consequence, for the reason that as compared with the internal traffic of this country our foreign commerce is unimportant. It is a mere drop in the bucket, and should not be considered in any discussion or argument concerning the advantages of the internal commerce of the country.

Mr. Herrick, who preceded me, stated, I think, that our exports of food products were growing less; and that, I think, is the testimony of the Government reports, that in proportion to the production of raw material the exports of raw material, food or other, are growing less, and the conversion of food and raw material into manufactured products for export in this country is growing greater.

For that reason the true policy of legislation in this country, it seems to me, should be to develop, protect, and promote our internal business, and take such course, in reference to the Canadian roads, or any other foreign instrumentality that interferes with our prosperity, as may be necessary to prevent their doing us any damage.

COMPARATIVE VALUE OF OUR FOREIGN COMMERCE.

The question which I have suggested as to the comparative value of our external trade is, it seems to me, one that should be considered by your committee as having an important bearing upon your conclusions.

I have observed—and I want to bring this point particularly before you—I have observed that the Bureau of Statistics of the Treasury Department, in giving the proportion of our exports which are classed as manufactured articles and the proportion which are classed as raw material, or non-manufactured articles, states, practically, that for a number of years our exports of manufactured articles have not exceeded from 15 to 20 per cent. of the total exports.

If you look at the record for the last twenty-five or thirty years, say twenty-five years, you will find that even according to the method adopted by the Treasury Department in making up these statistics there

has been a gradual increase in the proportion of manufactured articles exported. Twenty years ago it was, say, 12 to 15 per cent. Now it runs from 18 to 22 per cent. These figures are according to the method adopted by the Bureau of Statistics of the Treasury Department in making up its reports, but there is a gross defect in the method, and that is what I want to call to your attention.

The Census Bureau in making up the report for 1880 stated that our manufactured products amounted to about fifty-six or fifty-seven hundred millions of dollars; and it gave a detailed statement of those manufactured products, the amount of each produced in the country, wages paid, their market price, and so on.

Now, the Treasury statistics of annual exports totally ignore the classification of the Census Bureau, and the Treasury Bureau makes up a classification by which it excludes from the class of manufactures a great variety of articles which the census reports include as products of manufacture.

The effect of that singular discrimination or difference of method in making up the reports of the Government is, to say the least, remarkable; for if you make up the list of exports, classifying them according to the classification of the Census Bureau, you will find that the exports of manufactured articles for a series of years amount to nearly 50 per cent. of the exports of the United States instead of from 15 to 20 per cent.; and in my judgment the classification of the Census Bureau is the correct one.

So, as a matter of fact, instead of an increase of exports of raw materials from this country, we are increasing more rapidly in manufactured exports and are gradually learning to convert the raw materials that this country produces into manufactured products before they are exported, instead of sending them abroad in the raw state to be manufactured there and brought back.

IMPORTANCE OF CHEAP TRANSPORTATION.

Now, the bearing of what I have just said upon the question before you is this: That it is more important by far to secure cheap transportation within the United States than it is to consider anything else, for by cheap transportation the cost of internal traffic of all kinds and of home production will be cheapened along the line on which reduction of cost may be most readily obtained. Thereby our food, raw and manufactured products may be cheapened for our own consumption, and also may reach the sea-board and go into foreign markets in competition with foreign products when otherwise it would be impossible.

The fact, it seems to me, that we are sending three hundred and odd millions of dollars of manufactured products abroad shows that we can produce manufactured products and send them abroad if we have the proper facilities for doing so.

Now I would suggest that this committee consider the best methods of promoting cheapness of transportation within the United States.

The CHAIRMAN. That is what we have been trying to do.

Mr. AMMIDOWN. And to remove every obstacle that tends to prevent active competition between those who are doing the transportation business in the United States.

Let these roads all compete. I am one of those who believe that competition should not be prevented or opposed or restricted. I want to see competition among the transportation lines in this country, and I would remove every obstacle that prevents active competition between them, so that the rates may be reduced to the lowest possible point.

I do not believe in legislating in this country to prevent competition, for the soul of prosperity in this country is competition, and I would look especially to the avoidance of legislative measures which would interfere with competition among the lines of transportation.

The CHAIRMAN. Do you mean to intimate by that that you would be opposed to any species of pooling by the railroads?

Mr. AMMIDOWN. I would be opposed to pooling to this extent. I would be opposed to pooling unless some restriction or supervision should be placed over it to prevent pools from interfering with free competition in transportation.

The CHAIRMAN. If the railroads are allowed to make contracts with each other, is there any way to prevent it?

Mr. AMMIDOWN. I do not know that there is. It is a very difficult question. That is a very big subject and a very complicated one and a very difficult one to handle.

The CHAIRMAN. I think the committee realize that pretty well.

Mr. AMMIDOWN. That is all I have to say.

The CHAIRMAN. You have no suggestions to make as to the manner of putting the railroads of Canada, for instance, in such a position as that they should only be on perfect equality with those in the United States, have you?

Mr. AMMIDOWN. No, sir; I have no definite programme of that kind. I think it is a very difficult question, but you gentlemen will undoubtedly ascertain how to accomplish that purpose.

Senator BLAIR. There can be no doubt that the Canadian railroads can better compete and so the more reduce internal transportation rates in this country as things now are than if they were compelled to conform to the interstate commerce law, is there?

Mr. AMMIDOWN. No, sir; I have no doubt of it.

Senator BLAIR. We are not responsible for the legislation of Canada.

Mr. AMMIDOWN. No, sir; of course we are not.

Senator BLAIR. And existing conditions do exist.

Mr. AMMIDOWN. There is no doubt about that.

Senator BLAIR. Now, can you disturb those conditions by any affirmative action that extends the interstate commerce law to the Canadian roads without increasing the cost of transportation to the people of this country?

Mr. AMMIDOWN. You have got to meet the popular demand that the transportation lines of Canada shall not profit by any legislation enacted in the United States applying to American roads only. You have got to meet that.

Senator BLAIR. The Canadians are not to blame for that legislation.

Mr. AMMIDOWN. I know that, but the people of this country will not permit the Canadian roads to have the benefit of our legislation.

Senator BLAIR. Would you recommend to the committee that they report any legislative action as desirable by Congress that would increase the cost of transportation to the people of this country?

Mr. AMMIDOWN. No, I am not in favor of that, but it may temporarily be necessary. Yet I can see that if you remove all obstacles to competition, and let the railroads here in this country compete freely, they will reduce rates, as they have been doing for the last twenty-five years, as rapidly as new inventions and the rapidly-increasing business will permit. Rates are constantly being reduced on the average.

Senator BLAIR. Yet here are two countries alongside; each legislates for itself. The conditions which existed up to the enactment of the interstate commerce law came about legally under treaties and the natural

relations existing between these great people alongside each other under independent political control. All these relations were entered into with the knowledge of each party. Now we come along and impose upon our own railroads by our own action conditions that compel an increase of the cost of transportation to the people of this country.

Mr. AMMIDOWN. That is the question, whether it would or not. I think that is an open question.

Senator BLAIR. If that be an open question, until that question is settled, why should we impose the provisions of the interstate commerce law upon the roads of Canada? We do not know that there is any occasion for it.

Mr. AMMIDOWN. We should impose it upon the Canadian railways, because it is demanded by the people of this country.

Senator BLAIR. That may be a question whether the people of this country are demanding it. Now, if they do demand it, what would they not demand if they examined the question further; and after all, are we not committed to the real equity of the question rather than to the interest or the desire of the people?

Mr. AMMIDOWN. You stand between two fires. There is a possibility of your action restricting traffic over the American roads, and on the other hand there is a general demand, based on a sense of justice and equity, that the Canadian roads should not be permitted to take advantage of legislation in this country for their own profit. Now as between those two fires you have got to find a way to do what is best.

STATEMENT OF JOHN D. KERNAN.

Mr. JOHN D. KERNAN appeared.

The CHAIRMAN. This committee, some years ago, heard you in this city when you were a railroad commissioner for the State of New York. You understand the general purposes for which the committee is here, and we would be glad to hear you on the subject-matter of this inquiry.

Mr. KERNAN. I understand the object of this inquiry to be to ascertain what, if any, further legislation is necessary to protect American railways engaged in through transportation from the West against what is alleged to be the competition of the Canadian lines.

While this inquiry is useful to ascertain the results thus far attained under the attempt at the regulation of railways by law, known as the interstate-commerce act, it seems quite clear that the time for further legislation has not arrived, except possibly in one single direction, and there is great doubt as to that.

The two clauses of the act, their observance of which is said to put our railroads at a disadvantage with the Canadian lines, are, of course, the pooling prohibition and the long and short haul clause. The first forbids, as we all understand, an amicable arrangement with the Canadian lines by which satisfactory rates can be agreed upon and the traffic divided into agreed proportions.

THE QUESTION OF LEGALIZING POOLING.

I have always thought that it would have been better to have left out the pooling prohibition as a first step in national railway legislation.

I wrote for the New York Times an article which states my position, and from which I would like to read a paragraph:

> Upon the question of restraining excessive and ruinous competition of a division, either of earnings or of business between existing lines, and of settling disputes with-

out rate wars, something will have to be done. I urged Senator Cullom's committee not to forbid "pooling," but to provide, as they did, that the subject should be left to the further investigation of the United States commission before legislation should deal with it directly. This was not because I believed "pooling" to be legal, because, on the contrary, I thought it to be in some respects an illegal conspiracy and an assumption of power by the corporations engaged in it entirely outside of that given to them by their charters. But "pooling" was working at this problem, and it seemed safe, in view of the other provisions of the act as to unjust discriminations, etc., to leave it in its crippled condition without adding a statutory to the existing common law prohibition. The object of thus leaving it was simply that it might develop the principles upon which legislators might proceed to remedy certain conceded evils without injustice to any public interest. It is not certain but that Congress was, on the whole, right. The crisis of prohibition has come and gone with less disturbance than was anticipated. A keen appreciation of the evils of excessive competition has come from the suspension of "pooling," and it may be that just remedial legislation can now be more easily obtained than if the field was not clear. At any rate, this is a great pressing question for railway owners. It is also one as to which it is doubtful whether their late action and presidents' agreement will long aid them. The inherent legal defect of the old "pool" is dangerously close to that agreement. Nothing will remove it except legislation. Railway presidents can hardly present what many regard as a misdeed and abuse on their part for legislative approval. Railway owners well organized and thorough masters of the question could speak louder and would be more graciously received. If they proceeded in the broad spirit suggested they would disarm opposition by coupling with their proposals fair and adequate provision for governmental supervision, or some other form of suitable protection for the public interests involved.

Why do I say that Congress was probably right in the view it adopted? Because the act went further than I anticipated. The interstate act not only forbids pooling, but attempts to substitute for it provisions that preserve to railroads all of the legitimate advantages claimed to result from pooling.

I am not sure that this act does not give to railroads all the legitimate advantages that pooling ever gave them, although my idea was to leave pooling in its crippled condition under the common law, before going beyond the provisions of the act with respect to unjust discriminations, etc. The professed object of pools was to maintain upon railroads uniform and steady rates and to forbid unjust discrimination. The interstate commerce act seeks to accomplish this same object under the provisions which forbid unjust discriminations, and which require that rates shall be published and shall not be cut by rebates, etc.

Until the law has been longer in force and more thoroughly tested, the people do not desire that its provisions be changed so as to legalize pooling. This is true, I think, even though the proposition to legalize pooling be sugar-coated with the suggestion that the same shall be placed under the supervision of the national Commission. I am not at all certain but that at some future time something like pooling may become a necessity, but that time needs to be preceded by longer experience in the testing of the act in its present shape, so that when Congress legalizes pooling it may be able to determine what restrictions and safe-guards are needed to protect the public.

When the question is asked, "Do you object to an agreement among trunk lines to avoid discriminations and to maintain steady rates?" the reply is, "Not at all; but the difficulty is that at present you can not pass a law which shall legalize a pool and yet which shall contain adequate provisions to protect the public against those abuses, which we know have always been incidental to pools."

Here is an illustration of those abuses: At Middletown there was a condensed-milk establishment that was shipping heavily and there were three roads competing for its business to and from New York, the Erie, the New York, Ontario and Western, and the New York, Susquehanna, and Western. The rate went down to 6 cents a hundred. The three

roads then combined. What was the result? They put the rate up to 15 cent a hundred, and then made this division between them. The road that did the work got 6 cents as covering the expense of the service; and the 9 cents of profit was divided between the three roads equally. This is an illustration of the evil that may come from legalizing a pool. The rate which excessive competition made too low was by the action of a pool made unnecessarily high. It is just as Senator Harris suggested, that under a pool some line that is doing no work whatever gets paid just as large a share of the profit in the transaction as the road receives that does all the work. That was the precise case in that instance.

Again, there is another phase of the question to be considered. When railroads insist that a remedy against Canadian competition can be found in pooling, they forget a good deal of their history. When pooling existed the Canadian roads were always kicking out of the traces; they always retired from the pool when a scarcity of transportation invited the cutting of rates. They were only loyal to the pool when there was plenty of traffic and no pool was needed. So I doubt whether there would be the relief afforded in this direction that is anticipated.

The proposition before this committee is simply whether the time has yet come when any further legislation on this pooling question can be had. It seems to me that the time has not yet arrived, because this act was designed to give to railroads, if they obeyed its provisions, precisely the benefits that they had derived under the pool. Having adopted such policy there ought not to be further legislation by Congress upon the subject until the law is longer tested and it is ascertained whether or not it will accomplish its design.

THE SHORT-HAUL PROVISION.

Neither does the long and short haul clause stand in that way of the American lines in competition with the Canadian lines as much as some insist.

After examining that question thoroughly I introduced an act before the New York board applying the long and short haul clause to the transportation of New York State. I reached the conclusion that the long and short haul clause was right in principle, and that it would operate beneficially to the people and without injury to railroads within the limits of a State.

When asked by Senator Cullom's committee whether it was advisable to insert the long and short haul clause in the interstate commerce act and apply it at once to the transportation of the whole United States, I said that I believed it wiser not to put it in this first act of national legislation. The history of railroad regulation by law has always been that it is best that it be a matter of slow growth, and that serious complications are apt to result from the sudden application of extreme measures.

The long and short clause has at times, when made of universal application, proved not only injurious to the railroads but also to the people, and therefore there always should be authority in some body in exceptional cases to modify its application.

It seemed as though a national commission of five men would not be equal to the task of speedily considering and determining the many exceptional cases which would be likely to arise throughout the entire United States.

The people, however, are not ready to have this clause repealed to the end that the American lines may fight the Canadian lines on through business and recoup on local business. We have gone through this crisis of adopting the long and short haul principle, and the evils that were predicted by the railroad men if this clause were put in the act have not generally been fulfilled; at least the people do not so concede.

It is by no means yet clear that the trunk lines, in fairly good times, can not live even under the long and short haul clause. Their local business is so much higher in grade and greater in volume than upon the Canadian lines that they have a great advantage over the latter. This argument seems well sustained when you think of a line like the Pennsylvania, running from Chicago through a rich territory, as compared with the Canadian Pacific, running through a sparsely-settled country, poor in local business. Our local trade is a so much better paying business to our railroads than theirs is to Canadian roads that the American roads can probably keep their local rates within the law, or within the through rates, and live, while Canadian lines will starve under their policy of making low through rates to get the business to Portland, and then getting just as high local rates as their local business will stand. This may be wrong, but at this stage of the question the people will insist that the wrong shall be much more clearly and practically developed than it is to-day before they are ready to have that clause changed or repealed. People now regard the Grand Trunk in winter as the equivalent of the Erie Canal in summer as a rate-regulator, and would no more tolerate legislation to cut off one than to fill up the other.

REGULATION OF THE CANADIAN LINES.

The one direction in which we can move seems to be simply to insist that the Canadian lines in competition with American lines over American soil to and from American points shall observe American laws applicable to that transportation upon our own railroads. Now this demand of the American railroads is right. If you attempt to restrict an American railway by law it is the duty of the country to it as one of its citizens, and it is the duty of the country to the capital invested in it, that we insist that foreign competing lines running in and out of American points shall observe that same law. While this is true, it is a very different question to say that we must amend the interstate commerce act to accomplish it.

Senator BLAIR. You are evidently proceeding upon the principle that the railroads in this country are guaranteed all the transportation of the country, and that anything that occurs to take from existing railroads here any of the transportation of the country is a wrong.

Mr. KERNAN. I do not say that.

Senator BLAIR. Then why is it a wrong to the railroads of this country that transportation may be taken along the border by existing railroads under the conditions in another country that previously existed, without imposing conditions upon the foreign country?

Mr. KERNAN. I say simply this, that if you put American railroads engaged in transporting traffic from Chicago to New York under certain restrictions, such as the publication and filing of rates, the long and short haul clauses, etc., that in justice to them you ought to put foreign lines carrying from Chicago to New York, or from Chicago to Portland, under the same law; that is all.

Senator BLAIR. Then leave out these land-ways and consider the water-ways which tap these centers in some way. If you impose the

regulations of this interstate commerce law upon the American land-ways, why must you not, in justice to the American land-ways, impose the same conditions upon the ocean?

Mr. KERNAN. Because you have got to consider all questions of transportation as ending at your sea-board.

Senator BLAIR. Why any more than at the termini of your land boundaries?

Mr. KERNAN. Simply because you can not control rates on the ocean.

Senator BLAIR. Neither can you in a foreign country.

Mr. KERNAN. I think there are two sides to the question as to whether the Canadian roads are under the law today or not. I understand the Interstate Commerce Commission to hold that the transportation of coal from Buffalo to a point in Canada is under the interstate commerce law and that the obligation to publish rates, etc., applies to that shipment.

The CHAIRMAN. We have the decision here.

Mr. KERNAN. My point is this, that the interstate commerce law in its substantial provisions applies to all classes of business that the Canadian lines take at American points and carry over American soil partly and over Canadian soil partly and then to American points; at least until this question is judicially determined to the contrary, we do not need further legislation or amendment.

The CHAIRMAN. And in addition to that, whether any business touching the United States and going into Canada or coming from Canada into the United States is not covered by the act.

Mr. KERNAN. I think it a question how far the interstate commerce law applies on Canadian lines to traffic taken from American points into Canada and brought back to American points. Conceding that the Canadian lines ought to be under the same control as the United States lines which are engaged in that competitive business, still no legislation need be had yet, because it has not been determined by any court as to how far the present law covers the situation.

The complications that may result to our own merchants from harsh legislation as well as to the citizens of a friendly foreign neighbor warn us to go slowly about this question, which involves such vast commercial interests.

Senator BLAIR. I do not know but what you may have misunderstood me. You are laying down the proposition, as others have, that it is an injustice to the American railroads to impose upon them the interstate commerce law, and at the same time permit the Canadian roads to take transportation from our country without applying to them the interstate commerce law. I was asking you with reference to that. I was not discussing the question whether it ought to be applied or not. Now, if it be a principle that all the transportation that exists in this country belongs to the railroads in this country, and that the producers and those who want transportation are not to avail themselves of the opportunities of nature outside of our own boundary, without our going beyond our political boundary and imposing our laws elsewhere, if that be the principle, so far as land carriage is concerned, why not apply it to the high seas?

Mr. KERNAN. My position simply is that in so far as Canadian railways are American railways, in so far as they come on American soil to get and take business, to that extent the laws ought to be similar with reference to them and to our own railroads.

Senator BLAIR. Within our territory or outside our territory?

Mr. KERNAN. In so far as we may legislate. There is no reason why

the same rule should not apply to water-ways in so far as we can practically reach them by legislation, but I do not see how ocean rates can be touched at all; they are entirely beyond our jurisdiction.

There is reason to believe that the substantial provisions of the interstate commerce act apply to-day to the Canadian lines, and the only provision that probably does not apply is the long and short haul clause to some extent; that is, they may carry at a low rate from Chicago to Portland, and then recoup their loss in Canada by a higher local rate. I do not think the interstate commerce law will reach that proposition, but after all this fact is not very important if it be true that the higher grade and greater amount of local business on our trunk lines will enable them to keep within the law and live, while Canadian railroads starve upon what they can get out of their local rates while carrying their through business below cost.

THE EXPORT BUSINESS.

There have been other questions talked about here that are important, this question for instance about export rates. I was counsel for the Produce Exchange against the trunk lines when that question was brought before the Interstate Commerce Commission; the evidence was all presented a year ago. The whole question was investigated as to whether in the first place the law forbids a lower inland transportation rate for exports than for consignments to the sea-board; in the next place whether, if the law does forbid it, it is wise public policy to amend the law and to thus facilitate the removal of American products to foreign markets; and thirdly, whether if it is wise to permit low export rates to the sea-board, they can be practically maintained without complete rate demoralization.

The practice of making lower export rates on the trunk lines to the sea-board to enable us to meet competition in foreign markets, etc., was tried by the trunk lines, and it utterly failed by the vote of the trunk lines themselves. They determined that it could not be practically done.

The reasons why it is not practical to do it are many. I will suggest one. You can not maintain two rates for like transportation service between Chicago and New York. The lower rate is constantly dragging down the higher one. Upon some of the trunk lines coming to New York City they were carrying grain for export in the winter of 1887–'88 at 15 cents a hundred, while at the same time the tariff rate to the sea-board was 30 cents a hundred. They were thus carrying for less than cost for export and at the same time they were maintaining against the consignee at the sea-port a rate that was double the inland export rate; they were losing money on the export business and recouping on the local business.

Senator GORMAN. You say you went over this matter some time ago?

Mr. KERNAN. Yes, sir. I asked Mr. Fink, "Have you ever known a condition of foreign markets which made it necessary that the trunk lines should cut the rate in this way?" He said that he had not known a time when the inland tariff rate would not move the grain to meet competition abroad, though such occasions might arise. Also that he had not known a time when such cuts in the export rate on the part of railroads had not been caused rather by a desire to cut into each other's business than by any competitive conditions existing in foreign markets which required the cut to send our surplus abroad.

November 4, 1887, the trunk lines adopted this new plan of making

export rates. They provided that the basis of the rate should be to take the inland tariff rate and to add the ocean rate, the sum of both to make the through rate. The desired flexibility lay in the use of the word "substantially," and the result was that during that winter they carried grain at 30 cents a hundred and less from Chicago to Liverpool.

Let us see how that operated. The ocean steamer got 15 cents a hundred for carrying to Liverpool, while the railroad got 15 cents a hundred for carrying from Chicago to New York, and at the same time the tariff rate that the railroad maintained was from 25 to 30 cents a hundred from Chicago to New York to the domestic sea-board consignee.

At the time these steamers were getting 15 cents a hundred you could get a steamer in the harbor of New York at 2 or 3 cents a hundred to carry to Liverpool. What became of this overcharge on the ocean? Being put into the hands of the steamer, it was outside of our jurisdiction, and it there formed a big fund for the purpose of paying the rebates that secured the business in the competitive fights. The railroads paid no rebates of any kind whatever, but the fund was put where it could be used for that purpose entirely outside of the reach of the law.

There is another difficulty about this theory. Conceding there may be times in foreign markets when it would be wise policy and beneficial for our Western producer to have a low rate from the West direct to foreign ports, the difficulty is such a low rate can not be given to export business exclusively because you can not maintain beside each other two rates for the same service. Every one wants the lower rate, and in the struggle to get it all sorts of rate-cutting devices are developed and worked until your tariff rates are totally demoralized.

Senator REAGAN. Have you copies of your brief in that case?

Mr. KERNAN. Yes, sir; and I will furnish them to you. The question is, does the law now forbid this practice of making a lower inland rate for export than for sea-board consignment? We insist that the law forbids it, and that the tariff rate must be the inland rate on all business to the sea-board, otherwise you put the control of your inland rates in the steam-ship lines, whereby all control over your inland rates is lost.

My conclusion is that it is as yet premature to undertake to amend the interstate commerce act, either as to pooling, the long and short haul clause, or for the purpose of restricting Canadian railroad competition.

STATEMENT OF JOSIAH J. WHITE.

Mr. JOSIAH J. WHITE, of the Chamber of Commerce, appeared.

The CHAIRMAN. Mr. White, you have given the subject of interstate commerce considerable thought, and I notice that you have attended most of the sessions of the committee and have been a close listener. Will you please go on in your own way without the interposition of questions by the committee and give us your views as well as a brief summing up of the situation as brought out by the testimony.

Mr. WHITE. I did not think when the resolution under which you are acting was presented to me that there would be anything which I could say which would be of service to your committee. The wide range, however, which the inquiry has taken has brought out matters pregnant with interest and instructive to the student of interstate commerce, of which I am one, having been engaged the greater part of my life in the transportation business and in both foreign and domestic commerce. Comments and attacks have been made here upon some of the provisions

of the law itself which calls for some answer, and as I am put down as one of the fathers of the law, I will try to make such answer as is possible in the brief time given me.

First. The investigation of this subject has brought to notice very important commercial subjects, which I beg you will give that consideration which the magnitude of the interests involved demand.

It has not been shown that we are menaced by lines like the Grand Trunk passing from one State to the other via Canada, but by the realization of that ancient policy of Great Britain which has successfully wrested from us the ocean-carrying business of even our own products and now seeks to secure what naturally belongs to American transportation lines, viz, the overland carrying trade, by which the most rapid transit is afforded to commerce between the continents of Asia and Europe, and, in my opinion, this British line will, unless aid is given to our transcontinental lines, do the carrying across the continent of merchandise and passengers between the Pacific coast at Puget Sound and the American Atlantic sea-ports.

In our modern times commerce seeks the channels which afford the shortest routes and the quickest transportation; especially is this the case with valuable and perishable merchandise like the silks and teas of China, a difference of one day even in the time of their transportation being counted as of importance. Whichever is the shortest route across the continent will get this trade in the through traffic between Asia and Europe, and if I am correct in my figures this merchandise will in a very short time be brought from the Pacific to this very port of New York in less time via the Canadian Pacific Railroad than via any of the American transcontinental lines. It has been mentioned here that Halifax will probably be the Atlantic terminus of the Canadian Pacific. It has not been mentioned, but I desire to call your attention to the fact that Halifax is 700 miles nearer to Liverpool than is New York. I have not the data with me, but I am under the impression that there is less distance between Vancouver (the occidental terminus of the Canadian Pacific) and Yokahama than between San Francisco and Yokahama. You have had it in evidence as to how much shorter the Canadian Pacific route is between the Pacific and Atlantic sea-boards than any of our American routes, and can readily see that commerce will be conducted between Asia and Europe by the much shorter route controlled by our foreign neighbors. It can not but be expected if added to these natural advantages this foreign route is, as intimated, in receipt of substantial aid in the shape of subsidies for its railway and steamship lines.

I desire also to call your attention to the fact that the Canadian Pacific has a station at Prescott, Ontario, directly opposite Ogdensburg, in this State, which is the northern terminus of the Rome, Watertown and Ogdensburg Railroad; that without breaking bulk the cars of the Canadian Pacific may be transferred across the St. Lawrence River on floats similar to those in use in this harbor, to the Rome, Watertown and Ogdensburg Railroad, and by it distributed to the various railroads terminating in this and other cities. I believe that ere long you will see Asiatic merchandise being landed in this metropolis by this route, because it can be done in less time than by any existing American route, and probably at less freight rate because of the shorter distance.

The policy of Great Britain has always been to foster its commerce by subsidies, bounties, etc. It has kept up communication with the "uttermost islands of the seas," so that this little island has become the commercial center of the world and the mistress of the seas. By

the same liberal policy it caused all exchanges to center in London, which is now the money center of the world; and we of America, with our vast productions and riches of the earth unsurpassed, are paying a tax to London in the shape of a banker's commission, because of these commercial exchanges centering there.

And we are also paying vast sums to these subsidized British ships for the carriage of the products of our soil, while the American ship has almost ceased to exist, and has little or no share in the carriage of American merchandise. It is not pleasant to our American pride in this centennial time of glorification to contemplate that of the total tonnage of vessels entered at all the ports of the United States one hundred years ago, one-third only of the total tonnage was that of foreign bottoms, while two-thirds of the total was American, while the statistics of the year 1888 show that of the total entries at all ports, three-fifths of the tonnage was foreign and only two-fifths was American, and this includes the tonnage engaged in the coastwise trade, from which foreign vessels are excluded.

It would seem now that the ancient and successful policy of Great Britain is reasserting itself on this continent, and while she may not participate in our coastwise trade she appreciates the value of the transcontinental commerce and is determined on maintaining her commercial supremacy, and, if possible, to do our transcontinental carrying for us.

Are we to rest quietly and see this channel of commerce which naturally belongs to the United States wrested from us? For many years patriotic American merchants have urged upon the attention of Congress remedies for the declining American merchant marine without avail, chiefly because Western Congressmen seem to have regarded the matter as an Eastern interest. For many years patriotic business men urged interstate commerce legislation; fortunately a responsive cord was touched in the hearts of their Western brethren and the measure became a law. Would to God that this investigation may result in the better consideration and amelioration by Congress of commerce in general.

If I understand the purpose of the present inquiry, it is to find a remedy for a supposed injury to the business of the trunk lines which are subject to the interstate commerce law, by the diversion of the traffic to Canadian railways which are not within the jurisdiction of the law as to their local traffic, and it is charged by the complainants that this disparity gives the Canadian railways the advantage, and that, in order to arrive at parity, privileges of operating in this country should be denied the Canadians, and that the salient features of the interstate commerce law should be repealed.

I do not think the complainants have proven their case, or that the remedies sought should be applied. Were the selfish view to be taken of what course would tend to be of the most benefit to New York, the decision would be to stop the operation of the Canadian railways in this country, for it would divert trade to New York now enjoyed by Boston, Portland, and other New England cities, for without the Canadian railways the Northeastern States would have to be subject to the arbitary rates imposed by the trunk lines for the longer distance from Chicago to the New England towns, while the Grand Trunk affords as short distance to these points as the American lines do to New York. The chief complaint seems to be lodged against the Grand Trunk Railroad. Its route to New York is much longer than any of the American lines, and it would seem that the short lines ought to be able to compete with the longer ones, and I do not think that lines like the

Grand Trunk can recoup from their local traffic sufficiently to enable them to cut the trunk lines' rate between Chicago and New York. It is only possible for the latter's rate to be cut by the Grand Trunk when it is excessive.

For the first six months after the interstate commerce act went into effect it was the practice of railroad officials to cast odium upon it by charging to the law every evil complained of by the public. After a while the stockholders of the railroads realized that the operation of the law, while it cut off certain privileges which railroad magnates enjoyed, increased the earnings of the railroads, and the crusade against the act ceased.

Now, apparently, some of these magnates want these privileges restored, utilizing the question now under consideration for a reason why the anti-pooling section and the long and short haul clause should be repealed.

No feature of any law is so little understood as this long and short haul clause. It can not be this provision of the law which is injurious to the complainers, for no complaint or request has been made to the Commission, which has full discretion not to apply this clause whenever it is deemed necessary to suspend its operations. The common impression seems to be that the railroads are obliged under this clause to charge as much per ton per mile for the long as for the short haul, whereas the fact is the clause permits the railroad to charge as much in the aggregate for a haul of 500 miles as it does for a thousand-mile haul. Even this just provision may be suspended, and were it shown to the Commission that its suspension was necessary to the competition with Canadian railways it is to be believed that the request for suspension would readily be granted.

But it is asked that the anti-pooling clause shall be repealed, and that pooling shall be legalized, and the Government shall take a hand in the making of tariffs. It is claimed that tariff rates can not be maintained without pooling. They never were maintained under the pool and, so far as the trunk lines are concerned, have been better maintained since the pool was abolished than they ever were before.

Senator BLAIR. Please explain about that.

Mr. WHITE. The pool rates were established only to serve as authority to agents at local stations to charge high rates for small shipments, but no shipper of a large amount ever thought of paying the tariff rates; he always made a private contract for a rebate on the tariff rates; he never knew how much rebate his neighbor got, and if he attempted to speculate in grain or produce he always ran the risk of having some railroad magnate interested in a deal in which the rebate was much larger than his and which would be the ruin of his speculation. It took but a short time to have the information that rates were not maintained to reach the stock market; then stocks would go down; the magnates might desire to bull the market and a meeting would be called, and with great flourish of trumpets it is announced that the pool rates are restored, and up go stocks, but shippers did not have to wait long before they made their private rates with the railroad officials.

Senator BLAIR. Do you mean by this that after declaring that the full tariff would be rigidly enforced they would within a few days proceed to cut in this secret manner?

Mr. WHITE. Yes; and in less time than you would think.

Senator BLAIR. How soon after their declaration?

Mr. WHITE. I have been to one of these officials and received a cut rate in less than thirty minutes after he attended the meeting.

Senator BLAIR. Not since the law was enacted?

Mr. WHITE. No; before. The law has prevented these evil practices. It is also claimed that a governmental contract of pooling would prevent discrimination by the Canadian roads. According to Mr. Fink's testimony there are a thousand ways to evade the law (and it is presumable that it is being evaded by the American railroads). If any discrimination or evasion is being practiced by the Canadians it is being done in this country, and they can be brought under the same jurisdiction as to this as the Americans. If you want to stop this discrimination, I think it will be necessary to pass an amendment which will meet the case.

The CHAIRMAN. What would you suggest?

Mr. WHITE. The law should be made so as to meet the indirect methods and subterfuges employed in its evasion, and I do not believe you can ever effectually prevent it without providing a reward for the informer. This would be an effectual estoppel to the law-breaker.

The pool prevents competition and creates monopoly. There is no limit to the excessive charges which can be made if competition is prevented. I think that before the people of this country will permit its Government to be the administrator of a pool system, or of the making of tariffs, it will demand that these officials shall be selected by the people, and not appointed by the Executive.

It is taking a long step towards government ownership of the railways when it undertakes to run pools and make tariffs.

I think it is impossible to upset the natural laws of trade; that railroads should be left to themselves to make their rates of freight, the same as ships do; that freedom to compete and solicit traffic should not be hampered by any such obstructive invention as is the pool.

There is no inducement under the pool principle for a railroad to solicit freight or make inducements for traffic. There is no inducement to improve equipments or to keep up with the march of railroad science, which is progressing with almost lightning rapidity. There is no need of keeping up the road-bed; even the road may remain idle, and yet it will receive payment for which it never carried transportation. As an instance of how rapid is the progress of railroading, I will state that the cost of transportation in 1880 was only one-fifth of what it was in 1865. The principle of the pool tends to stop all progress, and maintains in existence effete railways. Effete railways, like effete ships, must give way to modern improvements. The useless railways should be sold as old junk, as is the case with the old hulk when it becomes useless as a transporter.

It has been said that the railroads are suffering because they are not allowed to pool.

The railroads of this country which have not been over-capitalized, or built in advance of the needs of population, are prosperous, but many railways have been built in advance of the time when they can be utilized and many are capitalized for three times their cost. The railroads which are suffering are those which have been built merely to realize the profits of projection.

The criticisms made of the interstate commerce law and of the Commission created by the act are in the main unjust.

It is not a perfect act, it is a growing one, and will need many amendments, which experience and the requirements of commerce will dictate as time goes on.

One of the measures which the sea-ports are very much interested in seeing enacted is the prohibition of the granting of through bills of lad

ing from interior producing sections through to an ocean foreign port at a less rate than the exporter at the sea-port can get from the railroad and the ocean ship. This is one of the subterfuges for discriminating in the inland railroad freight charge and has been very disastrous to the business of exporting at the sea-board ports.

Aside from the improvements which can be made in the law with the aiding light of experience, the law has not had a fair trial. Not a single one of the Commissioners appointed has been numbered among the pronounced friends and advocates of the law. Not a single one of the Commissioners has ever had any commercial experience—the principal questions which the Commission have before them are those of commerce, of grave import. Complaint is made that decisions are slow, but the public should be patient and give the Commissioners time to study the subject, bearing in mind that the Commissioners are all of them lawyers, and that they are overworked, the office work alone requiring the talents and entire time of a first-class business man. The questions of law submitted, and which the Commissioners are perfectly competent to deal with, are very few and might be attended to by counsel which the Commissioners could employ or by the Department of Justice.

The Commission needs more forceful administration and more intelligence of the subject treated. Nearly all of our former ship-owners and merchants have gone into railroading, and many of them are well versed in and were the advocates of interstate commerce legislation. Had some of these been selected or invited to act as Commissioners they might have served and better progress would have been made and more satisfaction given. Laymen seem to have been unwilling to go before a body composed of all lawyers, therefore they are necessitated to employ lawyers to conduct their cases. This is contrary to the design of the authors of the measure; it was designed that laymen should in part, at least, compose the Commission, as in the various State commissions, and where laymen feel no hesitancy in presenting their cases. The discretion given the Commissioners to suspend the long and short haul clause should be exercised only by those intelligent of the commercial conditions which would warrant such suspension.

In conclusion, I would say that the only danger menacing the railways of the United States is that mentioned in the first part of my remarks. It is a grave danger and calls for the exercise of radical preventive measures. We have the climatic advantage in this country over the British possessions, and if we do not possess now the shortest overland route between the oceans the Government should aid, if necessary, in building one. It should subsidize fast steam-ship lines which should effect communication between this country and Asia and Europe in the shortest possible time. It is to be hoped that Congress will now do something to stay the loss of the only commercial advantage left to this country, and will take warning of the decay of all empires from the earliest annals which have neglected their commerce.

The largeness of the subject of the regulation of commerce between the States, the inability of the present machinery to properly deal with the work, together with the vast general commerce interest of this nation, calls for especial provisions for the treatment of these paramount interests.

I had the honor to suggest when your committee met here last to inquire as to the desirability of an interstate commerce law that the magnitude of this and kindred subjects called for the establishment of

a department of commerce to be presided over by a cabinet minister of experience in commerce.

May I not hope that the members of this committee will call the attention of Congress to the desirability and the necessity for this department of the Government.

I will read, in conclusion, a short extract from a paper written by me some time since on "Transportation."

It is said that the earliest perception of the importance of transportation facilities in this country to the welfare of the whole people, and the necessity of art to aid the bountiful provision of natural water-ways in order to give better facilities for inland commerce, originated with the "Father of his Country," who, before the war was fairly closed, and while in command of the army at Newburgh, traversed, one hundred years ago, a region not far from where we stand to-day, and, describing this journey, he wrote:

"I have lately made a tour through the Lakes George and Champlain as far as Crown Point; then returning to Schenectady, I proceeded up the Mohawk River to Fort Schuyler, crossed over to Wood Creek, which empties into the Oneida Lake, and affords the water communication with Ontario; I then traversed the country to the head of the eastern branch of the Susquehanna and viewed the Lake Otsego, and the portage between that lake and the Mohawk River at Canajoharie. Prompted by these actual observations, I could not help taking a more contemplative and extensive view of the vast inland navigation of these United States, and could not but be struck with the immense diffusion and importance of it, and with the goodness of that Providence who has dealt his favors to us with so profuse a hand. Would to God we may have wisdom enough to improve them! I shall not rest contented until I have explored the western country, and traversed those lines which have given bounds to a new empire."

At the close of the war Washington made his trip to the Western States, and thus reported to the governor of Virginia:

"The Western States (I speak now from my own observation) hang upon a pivot. The touch of a feather would turn them any way. They have looked down the Mississippi till the Spaniards, very impolitiely, I think, for themselves, threw difficulties in the way; and they looked that way for no other reason than because they could glide quietly down the stream, without considering, perhaps, the difficulties of the voyage back again and the time necessary to perform it, and because they had no other means of coming to us but by land transportation and unimproved roads. These causes have hitherto checked the industry of the present settlers; for, except the demand for provisions occasioned by the increase of population, and the little flour which the necessities of the Spaniards compel them to buy, they have no incitement to labor. But smooth the road and make easy the way for them, and then see what an influx of articles will be poured upon us, how amazingly our exports will increase, and how amply we shall be compensated for any trouble and expense we may encounter to effect it."

A charter was obtained from the States of Virginia and Maryland, and Washington became the first president of the Transportation Company. Afterwards, in 1792, General Schuyler initiated the construction of artificial water ways in this State in the territory traversed by Washington, as first mentioned, and it may be said that from this work sprang the general system of canals in this State, culminating, in 1825, in the wonderful and blessed accomplishment of the Erie Canal.

STATEMENT OF F. B. THURBER.

Mr. F. B. THURBER, of Thurber, Wyland & Co., wholesale grocers of New York, addressed the committee as follows:

Upon the question which this committee is investigating as to the competition of Canadian railways with those of the United States and the workings of the interstate commerce law, I would say that it seems to me, in justice to our American railroads, that competing Canadian roads should be placed under similar restrictions to those of our own roads, and if this can not be done then our own roads should be relieved from these restrictions to an extent which would enable them to compete with Canadian roads.

The intent of the interstate commerce law is to secure justice alike for carriers and shippers. Prior to the enactment of that law railroad managers, following the line of least resistance and consulting their own convenience, often yielded to the importunities of large shippers to the detriment of the small ones, and under the form of special rates, rebates, and drawbacks, so much injustice was done to the smaller shipper that the interstate commerce law was enacted to prevent its continuance. It is a curious fact, however, that the railroads immediately adopted a system which in many cases resulted in greater discrimination and injustice to the small shipper than had been previously perpetrated under the guise of special rates, rebates, and drawbacks.

This was accomplished under the guise of "classification;" under the pretense of simplifying and making more uniform the classification of freight, which object everybody recognized as desirable, and which has constantly been urged by the Interstate Commerce Commissioners. The managers of the east and west trunk lines between Chicago and the sea-board arranged a classification by which several hundred articles which had, previous to the enactment of the interstate commerce law, been carried at the same rate, without regard to quantity, were rated, in less than car-load quantities, in higher classifications than in car-loads, the difference thus established ranging from 25 to 100 per cent. of the rates charged for transportation. This discriminated against the farmer or small dealer to a greater extent than the special rates and other devices employed to favor large shippers did prior to the enactment of the interstate-commerce law. Doubtless the convenience of railroad executives had something to do with this, as well as yielding to the desires of the large shippers they had formerly protected in another manner; for it is unquestionably less trouble for freight clerks to receive, bill, and deliver a given quantity of goods to one shipper than it is to a number of shippers.

It may also be said that this was done openly, which is preferable to secret discriminations, and that any person shipping in car-load quantities could avail themselves of the same privilege.

This is true, but it is equally true that the intent of the interstate commerce law to prevent the smaller shippers from being unjustly discriminated against is evaded as effectually under the guise of "classification" as under the previous system which it was designed to remedy.

At present it is practically impossible for a farmer to choose in what market he will buy his agricultural implements or where he will sell his produce. He is compelled to deal with and pay tribute to his nearest middle man, who is fortunate enough to be able to ship in such quantities.

The same is true of the thousands of small merchants scattered throughout the country. They can not buy in car-load quantities, and the difference in freight between car-loads and less than car-loads is so large as to be prohibitory on many articles. He may prefer to deal in a distant market on account of better quality or variety of goods, but is forced to deal with the nearest dealer who can buy and ship in car-load quantities. He can not, as formerly, choose in what market he will buy his goods. He is deprived of the benefits of competition for his patronage, which would result if he had free access to all markets.

A privileged class is created in the use of our highways, and the small shipper is prevented from ever being a large one. That this is against public policy and public right can not be doubted. The vote of the small shipper had as much to do in conferring the franchises under which railroads are operated as the vote of the large shipper, and the

right of the citizen on the highway should come in to limit the application of the law of wholesale and retail which applies to an unlimited extent in purely private business.

The question of classification goes to the very bottom of the rate-making power. If it be true that he who makes the songs of a country may care little who makes its laws, it is doubly true that if railroad managers have the power to make the classifications, they need care but little for laws prohibiting them from favoring large shippers by means of special rates, rebates, etc.

In the present case they have actually used the pretense of simplifying and making more uniform, to make in some respects a more complicated classification, inasmuch as they have established two classes according to quantity for several hundred articles that under the old trunk-line classification were in one class, without regard to quantity.

Their argument that it costs more to ship in small quantities is evidently only a subterfuge, because for many years prior to the enactment of the interstate commerce law they made no such quantity discrimination in classification, and while the present classification does extend over a wide area east of Chicago, from Chicago west to the Missouri River a different classification is in force, which does not on many important staples make more than one-third the discrimination against less than car-loads that the classification east of Chicago makes, while the great Southern lines have made no change in their classification since the enactment of the interstate commerce law, and carry small quantities at the same rate per 100 pounds as they do large quantities, except in the case of special commodities that naturally take car-load rates, and this brings up a very important distinction.

East-bound traffic, which is composed principally of the products of our fields, forests, and mines, naturally takes a car-load unit, while west-bound traffic, which is largely composed of manufactured goods, for which the natural unit is a commercial package complete in itself and easily handled, should not be subjected to the same rules of classification which might possibly be deemed reasonable on east-bound traffic.

The farmer who may want to buy a melodeon or cultivator of a particular pattern or make, under the present classification is charged an enormous price for freight if he tries to purchase from an eastern manufacturer. The small merchant in the West, who wishes to buy a few packages of sugar, coffee, or canned goods of a particular kind in the sea-board market, is charged 40 per cent., by the present classification, more than if he purchased a car-load, while on many other articles still greater differences are charged on less that car-load lots.

A case has been made up and argued before the Interstate Commerce Commission in behalf of retail merchants in the interior and wholesale merchants on the sea-board, and has now been pending before the board for several months.

The length of time taken by the board to consider this matter indicates its importance, and the embarrassment they feel between the opposing interests of large shippers and the general public.

It does not seem possible, in view of other decisions made by the board, notably the New England coal cases, where the rights of the general public were sustained, that they can decide otherwise than in favor of the broad principles of equity I have mentioned; but if they do not, it is certain that further legislation will be necessary if the interest of the small shipper is to be protected, as contemplated by those who enacted the interstate commerce law.

As regards the long and short haul feature of the interstate commerce law, it might, perhaps, be proper to make it somewhat more elastic than it now is, so as to enable the railroads to meet water competition, notably between the Pacific and Atlantic coasts, and, indeed, wherever similar conditions prevail.

So far as the prohibition of pooling is concerned, I do not think pooling is detrimental to the public, providing there is a power above the railroads to decide what is reasonable, and that power is exercised. If unjust discriminations are prohibited in one form and the supervising power permits them to go on in another, as in the classification matter before mentioned, of course a supervising power is useless.

It is also impotent without a sufficient force to execute the law. Laws without a police force, or a police force without laws, are equally useless. Probably we can never get better men to constitute an interstate commerce commission than those who now compose it, but they have been sadly crippled for want of funds. It costs the railroads more to maintain Mr. Fink's office in New York than Congress appropriates for the Interstate Commerce Commission. If the latter body is to be at all efficient, it must be given sufficient funds to provide an adequate clerical force and other facilities for supervising the vast interests it is supposed to control.

No tariff of rates or classification sheet should be operative on interstate lines until examined by experts in the interest of the public and approved by the Interstate Commerce Commissioners. Rightly managed and properly supported, such a body can be of immense use alike to the railroads and the public. It will shield the former from the strikes of lobbyists and the importunities and combinations of large shippers who may be in collusion with railroad executives, while on the other hand it can protect small shippers and the general public against favoritism and tyranny, in which large organizations are oftentimes prone to indulge.

Small shippers constitute the great majority, and yet, because individually they are weak, they have heretofore had but little consideration. Even where a number of shippers make up a car-load, they are not allowed car-load rates under the present trunk-line classification, and this practice of discriminating against small shippers is fast building up the larger shippers into a class so powerful that they will soon be in a position to dictate terms to the railroads and at the same time forever prevent small shippers from becoming large ones, no matter how hard and long they may work.

At 1 o'clock p. m. the committee adjourned to meet in Boston, Mass., July 5, 1889.

BOSTON, MASS., *July* 5, 1889.

The committee met at 11 o'clock a. m., pursuant to adjournment.

Present: Senators Cullom (chairman), Blair, Hiscock, Harris, Gorman, and Reagan.

The CHAIRMAN. The Committee on Interstate Commerce of the United States Senate has met in this city to-day for the purpose of continuing the investigation directed by resolution of the Senate. In order that the gentlemen who have come before us may understand fully the purport of our investigation and the authority under which we are acting, the clerk will read the Senate resolution.

The clerk read the resolution.

STATEMENT OF WILLIAM BLISS.

Mr. WILLIAM BLISS, president of the Boston and Albany Railroad Company, appeared.

The CHAIRMAN. What is your full name, Mr. Bliss?

Mr. BLISS. William Bliss.

The CHAIRMAN. Where do you reside?

Mr. BLISS. In Boston.

The CHAIRMAN. You are president of a railroad that has a terminal in this city, are you not?

Mr. BLISS. Yes, sir; the Boston and Albany.

The CHAIRMAN. What are the termini of that road?

Mr. BLISS. Boston and Albany and Hudson.

The CHAIRMAN. What are its connections?

Mr. BLISS. The New York Central Railway.

The CHAIRMAN. To the West?

Mr. BLISS. To the West.

The CHAIRMAN. Has it any other connection?

Mr. BLISS. No other connection out of the State.

The CHAIRMAN. Have you any business relations with the Grand Trunk Railroad of Canada?

Mr. BLISS. None whatever.

The CHAIRMAN. Have you never had?

Mr. BLISS. Never had.

The CHAIRMAN. You are familiar with the scope of the resolution under which the committee is charged with this investigation. Please proceed in your own way to give your general views on the subject as affecting your railroad, or the interests of New England, or Boston, or the country generally.

Mr. BLISS. It is a pretty large inquiry, and I scarcely know where to begin.

REGULATION OF THE CANADIAN ROADS.

I am not of those who think that the Grand Trunk and the Canadian Pacific should be restricted from doing business with this country at this late day. I take it, however, that the United States should protect the carriers by land in this country against the competition of foreign corporations in the same way that protection is afforded to our coastwise ships as against foreign ships. Nevertheless these roads are here, and they have been doing business for many years, and the people in northern New England think they are benefited by these connections which they have through Canada. But I think that foreign lines ought to be subject to all the rules and regulations to which the United States roads are subject, both with respect to Canadian business and interstate business.

The CHAIRMAN. You think, as an original proposition, there ought to have been the same restrictions placed upon these foreign carriers as there is in regard to the coastwise trade.

Mr. BLISS. If it were wise in one case, why not in the other?

The CHAIRMAN. What do you think of the question of whether it was wise to restrict the coastwise trade?

Mr. BLISS. I think it was. Otherwise our coastwise trade would be in about the same condition as our foreign trade is by water.

The CHAIRMAN. But you think that inasmuch as these roads have been built and commercial relations established, one country with the

other, that it would be unwise at this late day to depart from the policy that has been followed up to this time?

Mr. BLISS. Unwise, provided they are subject to the regulations of the interstate commerce act and all laws of the United States in relation to the carriage of merchandise.

The CHAIRMAN. Do you know whether or not the Canadian roads are complying with our rules or regulations now?

Mr. BLISS. I can not speak, of my own knowledge.

The CHAIRMAN. What is the general understanding?

Mr. BLISS. The general opinion is that they are making reduced rates.

The CHAIRMAN. Is that contrary to the interstate commerce law, or contrary to what is proper in doing the business?

Mr. BLISS. For them to make reduced rates to individuals and not to the public, I should say yes, decidedly.

The CHAIRMAN. That is not right.

Mr. BLISS. I should say not.

The CHAIRMAN. Suppose the Grand Trunk Line of Canada or the Canadian Pacific should observe the interstate commerce law so far as they do business in the United States in part, or in whole, just as our own roads do, would there be any objection to their doing business?

Mr. BLISS. Certainly not. That is my opinion, at least.

The CHAIRMAN. The general manager of the Grand Trunk road, who was before us in New York City, stated that his company was observing the interstate commerce act, and regarding it as binding upon them in all transactions in connection with transportation where it originated in the United States or came into the United States from Canada, or originated in the United States and went into Canada and back into the United States again. An observance of the law in all that class of business would be all that would be necessary, would it?

Mr. BLISS. I should think not. There is no pretense, I suppose, on his part that he must reduce his Canadian rate at the same time he reduces his interstate rate.

The CHAIRMAN. No, sir.

Mr. BLISS. Then he should be prevented from making a less rate on his interstate traffic than he makes on his intermediate traffic, whether interstate or Canadian. There is no protection as the law stands now for American railways. These Canadian lines can make such rates as they see fit on interstate traffic without affecting their local Canadian traffic, while the American roads are prevented from meeting this competition because of the long and short haul clause in the law, which compels them to reduce their rates on all intermediate business. There is nothing in the law to prevent the Canadian roads making such rates as they see fit with any steam-ship line sailing from provincial ports, and taking from the American ports a large business, simply because they are not restricted as the American roads are.

The CHAIRMAN. So that, according to your judgment and observation, the observance of the interstate commerce law that would simply apply to shipments from one point in the United States through Canada to another point in the United States, or from any point in the United States to any point in Canada, would not be sufficient.

Mr. BLISS. I think not.

The CHAIRMAN. You think there should be some different or additional regulation.

Mr. BLISS. Some different or wider regulation.

The CHAIRMAN. What, in your judgment, ought it to be?

Mr. BLISS. That is quite a difficult question. I am sure I do not see how you are to meet it. It seems to me that the Canadian roads might by their own act subject themselves to the control of the Interstate Commerce Commission and all their books be open to its inspection, not only so far as the traffic relates to the United States, but on all business in Canada. If you make absolutely the same regulations for them as you make for the American roads, I do not see why they should be restricted from doing business here. They have done business so long within the United States that they may, perhaps, be said to have acquired a prescriptive right here.

The CHAIRMAN. Please state the connections with this city or with New England of the Canadian Pacific and the Grand Trunk.

Mr. BLISS. They come in by the Boston and Maine, and possibly by the Fitchburg. The bulk of their business, however, is done over the Boston and Maine.

The CHAIRMAN. So far as Boston is concerned.

Mr. BLISS. So far as Boston is concerned.

The CHAIRMAN. When you speak of the Boston and Maine, do you include in that line the Central Vermont Railway?

Mr. BLISS. No, sir; the Boston and Maine is the terminus of the Canadian lines.

The CHAIRMAN. The eastern terminus?

Mr. BLISS. Yes, sir.

The CHAIRMAN. Where does the Boston and Maine strike the Grand Trunk?

Mr. BLISS. It strikes the Central Vermont at White River Junction, and at Newport, I think, the Canadian Pacific, but I am not sure about that.

The CHAIRMAN. Has not the Canadian Pacific a connection that leads it toward a point in Nova Scotia?

Mr. BLISS. At Mattawamkeag the main lines connect with the Maine Central east of Bangor.

The CHAIRMAN. What do you think will be the effect upon commerce if the Canadian Pacific Railway completes a line through the State of Maine, in view of the subsidies granted by the Dominion Government to that road, which amount, as I understand it, to one hundred and five million dollars in gifts, and one hundred and ten million dollars in guaranties of securities, making a total of two hundred and fifteen millions, with one hundred and eighty-six thousand dollars a year, for twenty years, to the line running through the State of Maine, and a subsidy of a half million dollars a year to a line running from St. John, New Brunswick, or from Halifax to Europe? What will be the effect of that on the business of Boston?

Mr. BLISS. So far as it diverted trade from here it would be an injury, of course.

The CHAIRMAN. What would be the effect?

Mr. BLISS. In the present state of the law I fancy that they will be able to make such rates through the State of Maine to and from Canadian ports as will enable them to divert a large share of the business now done through Boston.

The CHAIRMAN. In view of the enormous aid given to the Canadian Pacific by the Dominion Government, and in view of the subsidized steam-ship lines, would it not be a fact that in the natural course of trade they would necessarily take away from Boston a large volume of business that Boston now gets from that direction?

Mr. BLISS. Yes, to the extent of filling the ships sailing from Canadian ports.

The CHAIRMAN. That would be the operation of it?

Mr. BLISS. Yes, sir.

The CHAIRMAN. With the subsidies that our roads have received from this country and the subsidies given the Canadian Pacific especially by the Dominion Government, is it possible for the American roads to compete with it successfully?

Mr. BLISS. I do not see why not, provided the Canadian roads are obliged to conform to all the laws and regulations to which the American roads are compelled to conform. As it is now the rate on their local Canadian traffic is not affected in any way by the rate made on American traffic. Assuming that the wear and constant expense be the same whether the road does $2,000,000 of business or $10,000,000 of business, then the only question these people would have to determine is the absolute cost of doing the American business, while the American roads must consider the effect of reduced rates upon all intermediate traffic.

The CHAIRMAN. What is the amount of business over the Boston and Albany in tonnage?

Mr. BLISS. I think somewhere about three millions or three millions and a half tons a year.

The CHAIRMAN. You are probably not familiar with the tonnage of other roads running in here.

Mr. BLISS. No, sir; but you will doubtless find it in the report of the Massachusetts Railroad Commissioners.

The CHAIRMAN. How much of your tonnage is through business?

Mr. BLISS. About 40 per cent. of it.

The CHAIRMAN. From Boston to where?

Mr. BLISS. Between Boston and Albany.

The CHAIRMAN. For how long has your road been in operation?

Mr. BLISS. Since 1835 it has been in operation as far as Springfield, and to Albany since 1841.

The CHAIRMAN. Up to the time your road was built Boston was somewhat at a disadvantage, and very largely so as between it and New York, was it not?

Mr. BLISS. Very much so.

The CHAIRMAN. What is the situation now?

Mr. BLISS. Boston is still at a disadvantage. There are the canal and river at New York, with which no railway can compete. Not even the New York Central Railroad with its low grades and great equipment can compete successfully with the canal.

The CHAIRMAN. The construction of your road and the improved methods of loading and unloading at the terminus have relieved Boston's disadvantage very considerably, have they not?

Mr. BLISS. It has enabled the Boston shippers to do a little more of the foreign business, from the fact that the roads west of us make the same rate to Boston as to New York on traffic destined for the foreign market; but still, in the summer season, with the canal in operation, this is not wholly effective. Last year grain was taken by the ships for almost nothing. If the market is against them they have to take grain for anything they can get, but still they keep up their sailings because in the winter they are able to get better rates.

The CHAIRMAN. When was the bridge at Albany built?

Mr. BLISS. In 1865. There are two bridges there now. The upper one was built in 1865, and the other one, I think, in 1871 or 1872.

The CHAIRMAN. The chief embarrassment under which Boston has labored has been from the fact that it is farther from the producing center of the West and has not had the Erie Canal to aid it in the mat-

ter of transportation. How do you do now; are you using the canal at all?

Mr. BLISS. Not at all. The rates to Albany are about the same as to New York, and then the business must be carried two hundred miles by rail. East-bound business can be carried to better advantage by lake and rail than by canal and rail. In the winter Boston gets exactly the same rate on all foreign shipments as New York. In the summer, or during eight months of the year, Boston gets it so far as the rail lines can meet the rates of the canal and river to New York.

The CHAIRMAN. What is the method now in vogue among you gentlemen as to transporting grain, for instance, or cotton from the South for foreign shipment; do you make one rate from the West to Liverpool, or do you divide it?

Mr. BLISS. The through rate is the sum of the inland rate to New York and the ship's charge from Boston to Liverpool. Through bills of lading are given. The Grand Trunk, I believe, has a percentage rate with its ships, so that its inland rate fluctuates constantly.

The CHAIRMAN. Do you understand that they have that sort of an arrangement?

Mr. BLISS. Yes, sir.

Senator HISCOCK. How do you know that?

Mr. BLISS. As a matter of common report.

Senator HISCOCK. You only know it by report?

Mr. BLISS. That is all.

The CHAIRMAN. Your own arrangement is, however, an absolute rate fixed and published, just as you do with shipments for home consumption.

Mr. BLISS. Exactly.

The CHAIRMAN. You publish the rate from the place of shipment to Boston at so much and then to that amount the steamship rate is added?

Mr. BLISS. Yes, we add the ship rate to the inland rate.

The CHAIRMAN. Is that of any particular inconvenience to the shipper?

Mr. BLISS. Not that I am aware of.

The CHAIRMAN. Is it of any particular inconvenience to the railroad?

Mr. BLISS. Not that I am aware of.

Senator BLAIR. Is not the real difficulty that the Canadian roads carry the greater distance more cheaply than the other lines, and they are able to do so?

Mr. BLISS. They do carry more cheaply, but whether they are more able to is another question. I do not know why a railroad can carry twelve hundred miles cheaper than it can carry a thousand miles.

Senator BLAIR. Your position is that the consumers shall be put in a situation to be obliged to pay more than they now pay for their transportation going over the Canadian roads?

Mr. BLISS. My position is that the Canadian roads be subject to the same regulations as our roads, and then let them make such rates as they have a mind to.

Senator BLAIR. The effect of it must be that those who have occasion to pay for transportation must pay more than they now do over the Canadian roads.

Mr. BLISS. That would depend upon whether the Canadian roads charged more than they do now. If they saw fit to charge more they would have to change all their rates in proportion.

Senator BLAIR. But there would be no advantage to the American roads in their competition with the Canadian roads unless in some way something would be done which would cause the Canadian roads to charge more than they do now, would there?

Mr. BLISS. We should hope that would be the effect of it.

Senator BLAIR. Then the substance of it all is this: that you insist upon something being done, by the application of the interstate commerce law outside of our own political jurisdiction, which would make the people pay more for transportation than they do now.

Mr. BLISS. We ask to have all lines made equal. The carriers by water are wholly unrestricted by law, and the Canadian railways have very nearly the same privileges.

Senator BLAIR. You might argue that the American lines should be liberated from any inequitable conditions which American legislation places upon them. You might argue that that which would have the effect of enabling you to charge less than now be provided in order that you might meet Canadian competition; but do you not reverse it?

Mr. BLISS. I think it a most excellent thing to have the American roads regulated.

Senator BLAIR. If the effect of it should be to make the people pay more?

Mr. BLISS. No matter what the effect of it be, they should be regulated, and if regulated it seems to me that any roads that come in competition with the American roads should also be regulated.

Senator BLAIR. If the effect of the regulating should be to make the cost greater to those who pay for the transportation, would that be an advantage to the American lines?

Mr. BLISS. Whether the cost would be greater or less is a matter not worthy of consideration. We have to compete with the lakes and canals, and where water comes in immediate competition unless we reduce rates to meet the water lines we can get none of the traffic, and if we do reduce we must also reduce the rates on all intermediate business affected by the through rate. We are confronted with that disadvantage, while you let the Canadian lines come in and compete with the water lines and railroad lines without restriction.

Senator BLAIR. The evil is the same now as between the American railroads as it is between the Canadian lines?

Mr. BLISS. Yes, sir; only worse because it reaches more points.

Senator BLAIR. Now, to remove the real evil, do you not begin at the wrong end? Would you not say that the American railroads be at liberty to compete with the water lines, or else the water lines be put under the same restrictions as the land lines?

Mr. BLISS. I do not.

Senator BLAIR. That is because you do not want to attack American legislation.

Mr. BLISS. I think it a very good plan to have the railroads regulated. I think it equally well as a principle that the shorter haul should pay no more than the longer haul, but I can not conceive of any condition of affairs under which a foreign corporation should be allowed to come into the United States and make such rates as they see fit while the American roads are tied hand and foot.

Senator BLAIR. What you ask for here is that such conditions be placed upon the Canadian people, who have always done business through our country and for our people, as will oblige them to charge our people more than they now do.

Mr. BLISS. I do not say that; I do not ask that. I do not know what

the effect would be of placing these foreign roads under the same regulation as the United States roads. If they were obliged to conform to the United States law in every particular I think the effect would be to make the rates more stable all over the country. No community can be benefited by rebates paid to individual shippers. If rates are to be reduced they should be reduced to all alike.

Senator BLAIR. Suppose that should be prevented, then how would you stand?

Mr. BLISS. If the Canadian roads were subject to the same regulations both as to American and Canadian business that the American roads are on interstate traffic then we should be on an equal footing, but if their traffic from the United States to Canadian ports is unrestricted what is to prevent their paying rebates and diverting to Canadian ports a large amount of business which would naturally go through the United States? If these Canadian lines are not in a position to offer inducements to shippers, how does it happen that the proportion of traffic going over the Canadian roads has increased so largely since the interstate commerce act went into effect?

Senator BLAIR. That is a conundrum, and the answer seems to be pretty plain. But suppose discrimination as between individuals be prohibited, and be effectually prohibited on the part of the Canadian roads, and there should be nothing but the application of this long and short haul principle, how would that be?

Mr. BLISS. Then how are you going to prevent the Canadian roads making up their losses on through business by recouping on the local business?

Senator BLAIR. I do not expect to provide a way by which they should not. I was about to ask you, as a railroad man, how to cure the difficulty.

Mr. BLISS. I could not.

Senator BLAIR. Suppose discrimination as between individuals be effectually prohibited?

Mr. BLISS. Then you have the geographical advantage.

Senator BLAIR. Is it not by reason of that geographical advantage that these Canadian roads are doing the business cheaper than the American roads?

Mr. BLISS. I mean to say that a large part of this territory is exempt from the operation of the interstate commerce law. The real geographical advantage is that we have the shorter line from Chicago to Boston and to New York.

Senator BLAIR. And from St. Paul?

Mr. BLISS. Yes, and from St. Paul. Take the "Soo" route and it would not be far different. I believe they make the same rates from St. Paul as we do from Chicago.

Senator BLAIR. If you apply the principle of the interstate commerce law to these Canadian lines in order that the American lines may become better off the cost of transportation to the man who pays it must be increased, must it not?

Mr. BLISS. That is not the question which rules the American lines.

Senator BLAIR. Suppose you answer that question.

Mr. BLISS. I do not know that I am able to answer that. I have no means of knowing what the Canadian lines propose to do. If these foreign roads are put under the same restrictions as we are, and then secure the trade, I do not think the American roads can complain. If, on the other hand, these foreign competitors are not put upon the same basis with us by some regulation we have a right to complain of this unfair competition.

Senator BLAIR. Has the business of your line been injured by the existing condition; the presence of this Canadian competition?

Mr. BLISS. If you refer to the Boston and Albany, I do not think there is any money in this through business at all. Doubtless it is being taken away.

Senator BLAIR. Do you think Canadian competition does that?

Mr. BLISS. Yes, sir.

Senator BLAIR. That is you mean to say a condition has now been reached by which the shorter American lines are unable to do the through business at a profit?

Mr. BLISS. Not all of them.

Senator BLAIR. Well, take your road, then.

Mr. BLISS. I am speaking of my own road.

Senator BLAIR. Your road is the same as the New York Central?

Mr. BLISS. Far from it. Our coal costs us twice as much as does the coal of the New York Central, and we pull about two-thirds of the train they do. We are almost an infant compared with it.

Senator BLAIR. The conditions are such that the New York Central can allow you enough out of the joint freight rate from the western point to Boston so that you can afford to do the business?

Mr. BLISS. We do it.

Senator BLAIR. You think that business is of no value to you?

Mr. BLISS. I think it is valueless.

Senator BLAIR. And if it were not for some existing cause you would charge more for it, or else you would not do the business if you did not receive a higher rate than you now get?

Mr. BLISS. I think we should.

Senator BLAIR. You hardly do business for nothing, do you?

Mr. BLISS. I do not know about that. I do not know but what a road has to do some of its business for nothing.

Senator BLAIR. But you do this through business?

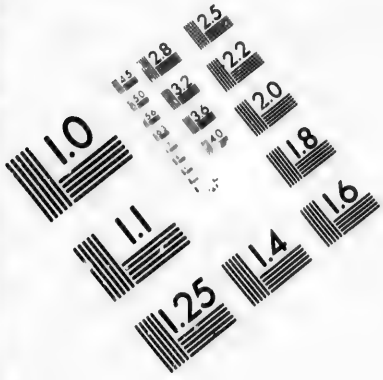
Mr. BLISS. I think a railroad chartered by a State has a public duty as well as corporate rights. I think it has functions to perform aside from the endeavor to get money into its treasury. I think it owes a duty to the public and the public owes a duty to it. I do not think foreign roads should be allowed to come into this country and compete with the United States roads, even if the foreign road does the business at a loss, so long as the roads in the United States are under restrictions that are not imposed upon the foreign competitor. We are compelled under the present condition of affairs to do a proportion of our business at a loss, and we complain that the foreign competitor is not under the same regulations that we are.

Senator BLAIR. Unless you charge more for what you do you could hardly get more for your services, could you?

Mr. BLISS. I do not say that we would charge more if the Canadian lines were put under the same regulations.

Senator BLAIR. But all that keeps you from charging more is this Canadian competition, is it not?

Mr. BLISS. I do not know. It may be that the competition by lake and canal prevents us from charging higher rates. There are a thousand and one things that go into the making of rates. For example, ten years or eight years or nine years ago when tolls were charged on the canal we then made what we thought would be a low rate to meet that competition, and then in the winter we could recoup, and now comes a route by way of the Mississippi River and New Orleans, and that con-



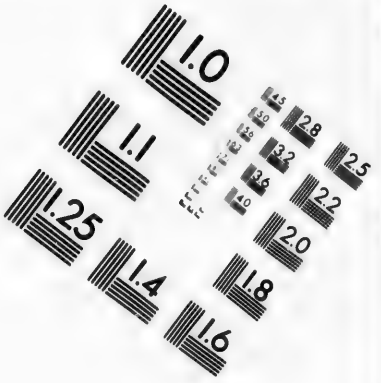
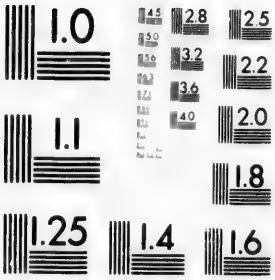
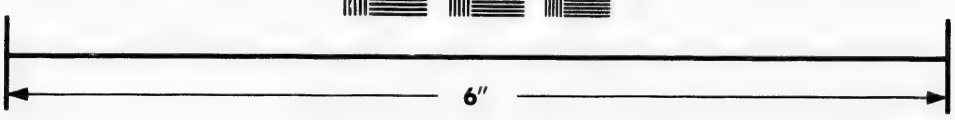
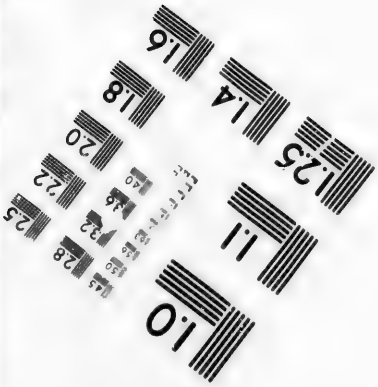
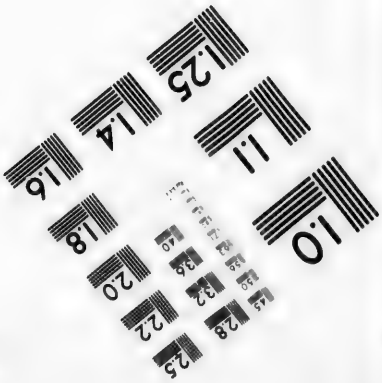


IMAGE EVALUATION TEST TARGET (MT-3)









Photographic Sciences Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

trols the Kansas rate, and the summer and winter rates are nearly the same.

Senator BLAIR. Therefore you would have the water-ways put under the same regulations as the railways in order to protect you?

Mr. BLISS. I do not know as to that. I do not say that.

Senator BLAIR. There is a point where there are causes that you cannot reach and regulate by legislation?

Mr. BLISS. Yes.

Senator BLAIR. We are dealing with a difficult subject and we are in the same fix that you are. If you do not give us any light on the subject we can not deal with it. The main point, however, that I would like to have answered is this: Whether, in order to relieve American railroads so far as Canadian competition is concerned, it is not necessary that something be done which will increase the charges for transportation over the Canadian roads?

Mr. BLISS. I do not think I ought to answer that question differently from what I have. I do not see how I can give any other answer. I say it is unjust to permit these foreign corporations to come in here and prey upon this business wholly unrestricted. This is a community wholly given over to the doctrine of a protective tariff, but they do not hesitate to ask that the Canadian roads may be allowed to compete with the American lines without restriction. There would be a loud outcry against the Government if it should permit a foreign manufacturer to bring in his building material for the construction of his mill without duty, and then to fill it with machinery brought in free, and finally permit him to do business without taxation. Under this condition of affairs the time would not be long before the American mills would be driven out of their own market. Under the present law the Canadian railways bear about the same relation to the American roads that the foreign manufacturer would to the American manufacturer. These Canadian railways pay no tribute to the General Government nor to the States. Their rolling-stock is built in Canada, if it pleases them so to do, and their cars are permitted to pass as freely to and from the United States as if they were built on this side of the border. If, in addition to all these advantages, they are permitted to compete for American business without control it will not be long before serious injury will be done, not only to the railroads of this country, but to its business as well, by diversion of its domestic trade to a foreign state.

Senator BLAIR. If this Canadian competition is not doing you an injury, have you any reason to complain?

Mr. BLISS. We think it is doing us an injury.

Senator BLAIR. And you will not lessen your charges?

Mr. BLISS. That depends. The rate may go so low that they would abandon the business. I do not think the Canadian roads are doing the business to please the American merchant, but for a profit, and wherever the American roads put the rate the Canadian road follows just up to a point to get the business away from the American roads, and they will go down to a price which will take the business as long as it pays any profit at all.

Senator BLAIR. The further down they go the less it costs the man who has to pay for the transportation?

Mr. BLISS. I do not know that it is beneficial to a community to have low, but unequal, rates. I think it is better to have the rates steady and uniform, and I think that if the rates were not changed more than once a year it would be better all around.

Senator BLAIR. You refer now to fluctuating charges?

Mr. BLISS. Yes, sir.

Senator BLAIR. I was not referring to that.

Mr. BLISS. The merchant may pay less to-day by reason of the competition of the Canadian railroads, but suppose he pays less than his neighbor or one steam-ship line gets a lower rate than another, is that for the benefit of the American community? I should say no. I think it is a benefit to the individual and a benefit to the Canadian line, if they both profit by it.

Senator BLAIR. What practicable way occurs to your mind of subjecting the Canadian road in Canadian jurisdiction to the operation of the American statutes?

Mr. BLISS. That is a question of statesmanship.

Senator BLAIR. You think the condition ought to be imposed that they should conform to our law or else that they should not do business for the American people?

Mr. BLISS. I should think so.

Senator HISCOCK. You do not know any reason why the trunk lines of Canada should be allowed to be outside of the provisions of the interstate commerce law any more than the trunk lines of the United States, do you?

Mr. BLISS. No, sir.

EFFECT OF THE INTERSTATE COMMERCE LAW.

Senator GORMAN. I understood you to say that as a rule you think the regulation by law of the common carriers, as is now done, is a wise provision?

Mr. BLISS. I do, indeed.

Senator GORMAN. Outside of the competition of the Canadian roads has the law operated to the disadvantage of the railroads at all?

Mr. BLISS. So many disagree with me on that question that I really do not know how to answer. As far as it relates to our own road, I think the law has not operated to our disadvantage. I should dislike very much to go back to that condition of chaos in which we were prior to the passage of the interstate law.

Senator GORMAN. What has been the effect of the interstate commerce act?

Mr. BLISS. It has equalized rates. The railroads are better conducted throughout the land.

Senator GORMAN. Is that so with respect to through freight from Chicago and other western points to Boston, for instance?

Mr. BLISS. I think so. Merchants here will doubtless be able to tell you more definitely than I can what the effect is on their rates. I think, too, it has tended to stop personal discrimination. I have no doubt discriminations still go on to a limited extent in the United States. I have no doubt discriminations are made by Canadian lines to-day.

Senator GORMAN. But I am now speaking of our own country. So far as you are concerned here has the law had that effect?

Mr. BLISS. I think so.

Senator GORMAN. Therefore, as an American railroad man, you would not have the provisions of the law changed?

Mr. BLISS. No, sir; but I would have them enforced.

The CHAIRMAN. Have the provisions of the law enforced?

Mr. BLISS. Yes, sir.

The CHAIRMAN. That is what we are trying to do now.

Senator GORMAN. Are you of the opinion that any additional provisions should be added to the present law to make it more rigid?

Mr. BLISS. I think the law should be amended so as to embrace this Canadian business.

Senator GORMAN. I mean outside of that.

Mr. BLISS. Well, the law has not been enforced as yet. The penalties of the law have not been enforced in but one case, and I am not sure that they were enforced in that. After the law has had a fair trial it will be time enough to amend it.

The CHAIRMAN. Do you think the amendments which were lately put in the bill were opportune?

Mr. BLISS. I think so; but they are like all other amendments. If your law is dead the amendments are of no use.

Senator GORMAN. I take it for granted you have complied with the law pretty generally as to the through business on your road.

Mr. BLISS. Not "generally," but absolutely.

Senator GORMAN. What effect has the law had on the Canadian roads?

Mr. BLISS. I think it has increased their business.

Senator GORMAN. To what extent has it increased their business?

Mr. BLISS. I think it has doubled their shipments from Chicago.

Senator GORMAN. How has the law affected your road; has your tonnage fallen off or increased?

Mr. BLISS. The tonnage increases naturally every year, but there has been no phenomenal increase.

Senator GORMAN. You think the Canadian roads ought to be subject to the same regulations precisely as are the American roads if they are permitted to do business in this country?

Mr. BLISS. Yes, sir; I do.

Senator GORMAN. Suppose such an arrangement can not be brought about, what would be your remedy?

Mr. BLISS. I would not let the cars pass off the Canadian roads into the territory of the United States except on payment of duties.

The CHAIRMAN. Unless the Canadian roads are subject to the same regulation as the American roads, is that your idea?

Mr. BLISS. Yes.

Senator REAGAN. What is the distance, by the shortest route on the American side, between Chicago and Boston?

Mr. BLISS. I think it is 1,000 miles.

Senator REAGAN. What is the distance by the Canadian roads?

Mr. BLISS. I think it about 150 miles more.

Senator REAGAN. I will ask you a question which we all understand, but do so simply for the purpose of allowing it to go into the record. What is the relative amount of business and population along the two lines?

Mr. BLISS. I can not answer that.

Senator REAGAN. Is there not much more business and larger population along the lines in the United States than along the Canadian lines?

Mr. BLISS. Yes.

Senator REAGAN. Then, considering the greater length of the line through Canada and the fact that they have to cross the river at Detroit, the sparseness of population, and the small amount of business along the line, if the law which applies to United States roads could be applied to the Canadian roads would it not so increase the business of your

road, for instance, and the roads on the American side, as to enable them to do business more cheaply than they now do?

Mr. BLISS. I suppose, Senator, that all railway managers recognize the fact that the poor lines must do some business; they can not be entirely dried up. Pooling is prohibited under the law, and differential rates have taken the place of the pool. If a railway is found entirely without business it becomes dangerous both to the other roads and to the shippers.

Senator REAGAN. My question was whether, considering the greater length of the line through Canada, the crossing of the river at Detroit, the sparseness of population along the line, and the small amount of business, if the law was fairly enforced on both sides, so as to apply to both American and Canadian roads, and each one honestly obeyed it—whether you can not carry freight to and from Boston, from the West, cheaper than you now do, and as cheaply as the Canadian roads can, and cheaper?

Mr. BLISS. Yes, sir; cheaper than we now can.

The CHAIRMAN. There was a case before the Interstate Commerce Commission some time ago involving the question of relative rates as between New York and Boston, was there not?

Mr. BLISS. Yes, there was.

The CHAIRMAN. What was that founded upon, do you remember?

Mr. BLISS. The ground of complaint was that the rate per ton per mile from the West to Boston was greater than the rate per ton per mile from the West to New York.

The CHAIRMAN. Who made the complaint?

Mr. BLISS. The Chamber of Commerce, I think.

The CHAIRMAN. What was the decision of the Commission?

Mr. BLISS. A decision adverse to the petitioners was rendered.

STATEMENT OF CHARLES F. CHOATE.

Mr. CHARLES F. CHOATE, president of the Old Colony Railroad, appeared.

The CHAIRMAN. You are president of a railroad, I believe.

Mr. CHOATE. Yes, sir; I am president of the Old Colony Railroad.

The CHAIRMAN. How long have you been president of that road?

Mr. CHOATE. For ten or twelve years.

The CHAIRMAN. You have been before this committee on a former occasion, I believe, and as you are familiar with the purport of the resolution of the Senate of the United States under which the committee is acting, we will be pleased to have you proceed and give your views upon the subject generally.

Mr. CHOATE. Mr. Chairman, I am president of a local road, practically. We have nearly one-third of the mileage of the State of Massachusetts, and we have an exclusive mileage. We have the whole southeastern part of the State.

The CHAIRMAN. You say you have no competition?

Mr. CHOATE. Yes, sir; no competition. Our road is managed as a local road. We have a connection to New York by boat, and in that way we make a Boston rate over the greater portion of the Old Colony Railroad.

WHAT THE CANADIAN ROADS HAVE DONE.

The only question in which I feel any particular interest in this investigation is the proposition to cut off the Canadian roads entirely

from doing business in the United States. I am clearly of the opinion that the Canadian lines in the past have exerted a very important part with respect to all business to and from New England. It has simply been through the competition of the Canadian lines that rates to and from New England have been reduced. The Canadian roads have made manufacturing more possible and more profitable in New England than it ever was before. All the heavy freight brought here is brought at much lower rates since the Canadian roads have entered into this business, and the products of New England have been carried cheaper than they ever were.

The best statement I have seen in regard to the effect of the competition of the Canadian roads is one made by Mr. Adams, made when he was railroad commissioner, and it is as true now as it was then. I read from the report made in 1871. The Boston and Lowell Railroad was the terminus of that line, and they formed a connection with it.

The CHAIRMAN. Of what line?

Mr. CHOATE. Of what was called then the Northern Line, and it has continued to be the Northern Line since then.

Senator GORMAN. You mean the Grand Trunk Line.

Mr. CHOATE. Yes, sir; the Grand Trunk Line.

Mr. Adams states it in this way, and I think he states it very well:

> Next to the Boston and Albany, the Boston and Lowell is the Massachusetts corporation most actively concerned in the large railroad combinations. The position of and the results accomplished by this corporation are, the commissioners believe, without a parallel. Owning in all but 26 miles of road, operating altogether but 125 miles, and representing but $5,000,000 of capital, this apparently insignificant company, through the energy and ability of its management, has of late exercised a most perceptible influence on the whole railroad system of the country, including the largest and most powerful of its combinations. The corporation has two direct and close connections with the West, one by way of Ogdensburgh and the lakes and the other by way of Montreal, the Dominion, and Detroit. Through these it has, during the last year, kept up a direct competition with the more southern routes between Chicago and the East, and, in spite of the greater distance traversed, being the equivalent of 15 per cent. of the whole, this competition has been so effective that it has kept the rates to and from Boston and the West always as favorable, and often more so, than those to and from New York. This combination mainly operates for through business through the "National Car Company," a Vermont corporation, which furnishes to the several roads 500 cars with adjustable axles. During the ten months ending October 31, 1370, 16,805 tons of outward and 13,800 tons of inward freight have been moved in these cars at rates sometimes as low as 6 mills, but generally varying at from 1 to 2 cents per mile, while to and from Ogdensburgh large amounts have been moved at $2.50 per ton, or 6 mills per mile. Meanwhile this combination, so important an element in the prosperity of the Commonwealth, though it controls 400 miles of road to Ogdensburgh and 1,150 to Chicago, though it has more than 1,000 additional miles of road contributory to it or fed by it, though it employs some 6,000 freight cars in doing its work of transportation in New England, yet has only 68 miles of it within the jurisdiction or subject to the laws of Massachusetts, not one-twentieth part of the whole.

The fact is that this Canadian line is naturally a competing line. It has all the elements of a competing line, and I think it always will have. It is a longer line, and that is one evidence that it can not get business unless it can compete. It is not compelled to pay dividends.

The CHAIRMAN. Who is not compelled to pay dividends?

Mr. CHOATE. The Grand Trunk and the Vermont Central.

The CHAIRMAN. How is that?

Mr. CHOATE. They never have paid dividends. I do not know why. This side of White River Junction has been a dividend-paying road, and they have taken a part of this business, but it has been done at a very low rate.

The CHAIRMAN. You mean that the Government is supporting the

road—that it is a military or political route rather than a commercial one?

Mr. CHOATE. I do not mean that. The Vermont Central has been through all sorts of vicissitudes. It has been broken down two or three times and then reorganized, and they have never paid any dividends. The Grand Trunk has never paid any dividends.

The CHAIRMAN. What is the fact, if you know, as to the aid received by the Canadian roads from the Canadian Government?

Mr. CHOATE. The Canadian Pacific and the Grand Trunk have both been subsidized, certainly.

The CHAIRMAN. The purport of the report of Mr. Adams, from which you have just read, is to the effect that the Canadian roads have been valuable aids to business in this section of the country in reducing rates to manufacturers, etc.

Mr. CHOATE. There is no doubt about it.

The CHAIRMAN. Of course that is to the advantage of the business people of Boston and of any other locality that the Canadian roads touch. Do you think that that competition should be allowed to go on unrestrained by any law to which our own roads are subject?

Mr. CHOATE. That is a question I do not know whether I can answer or not. I do not believe you can restrain them. No law has ever restrained them heretofore.

The CHAIRMAN. Do you think that they ought to be restrained?

Mr. CHOATE. I think that the American roads should be allowed to compete on equal terms.

The CHAIRMAN. The general manager of the Grand Trunk testified that in all American business, business which touches the United States in any way, they regard themselves as subject to the interstate commerce law, and act accordingly. If that is true, is that sufficient?

Mr. CHOATE. I understand it was so stated before your committee.

The CHAIRMAN. Now, as a matter of fact, with the sparsely settled territory through which the Canadian Pacific runs, and the Grand Trunk, too, in part, do you think they can recoup very much on their local business without breaking down the business in their own country?

Mr. CHOATE. I should not suppose they could.

The CHAIRMAN. I believe they say that practically they do not recoup at all. Now, if they do not recoup, and are obeying the law, they are giving the people of this section and other sections cheaper rates of freight, and are on the same basis, so far as regulations are concerned, as our roads are; and you can not ask anything more than that, can you?

Mr. CHOATE. Well, restrictions are, to a certain extent, placed upon the American roads, and if you are going to endeavor to make a fair field between the two the restrictions ought to be applied equally, if it can be done. How it can be done I can not say.

The CHAIRMAN. You have not undertaken to work out that problem?

Mr. CHOATE. No, sir.

The CHAIRMAN. I suppose it could not be done by ordinary legislation.

Mr. CHOATE. I think not.

The CHAIRMAN. Could it be done, in your judgment, by treaty stipulations between the two Governments?

Mr. CHOATE. If the Canadian Government applied the same regulations to their roads as the American Congress does to our roads, I think that would settle it.

The CHAIRMAN. There is no reason why the two Governments could not make such an arrangement, if they were disposed to do so, is there?

OPERATIONS OF THE OLD COLONY ROAD.

Mr. CHOATE. I think not.

The CHAIRMAN. Your own road is practically a local road. I have forgotten whether you stated your road had a western connection.

Mr. CHOATE. We have a western connection with all the roads, but we do not do a great amount of western business. The whole southeastern part of Massachusetts is dependent upon us. We run through a very large manufacturing district, and we carry a great deal of cotton. I suppose we are the largest cotton carrier in the United States.

The CHAIRMAN. From where does the cotton come?

Mr. CHOATE. From all over the South; it comes in all sorts of ways. We connect at Lowell with the Northern line, and some cotton is brought that way, via the Canadian line. We connect at Fitchburgh with the Hoosac Tunnel line, at Framingham with the Boston and Albany, at Walpole with the New York and New England, and we have our own boat line to New York, and we can connect with the Pennsylvania Railroad.

The CHAIRMAN. Do you receive freight from these roads you have mentioned on through bills of lading?

Mr. CHOATE. We have a through bill of lading. We have a specific car-load rate upon cotton from all these points.

The CHAIRMAN. So that your local rate is not the same to the people all along the line as you give to the shipment that goes south and west?

Mr. CHOATE. The rates that we get on the through business are generally lower than the local rates, but not the same disproportion as there is on roads generally. We have an arrangement with the Pennsylvania Railroad by which they deliver cotton at all points at Boston rates, and the other roads have all conformed to it, I think, and pay us our local charge.

The CHAIRMAN. You have very little occasion, except in regard to this through business of cotton and grain and beef, etc., of paying any attention to the interstate commerce act, have you?

Mr. CHOATE. Very little. I suppose our business is less affected by the interstate commerce act than that of any corporation in the United States.

The CHAIRMAN. I supposed that was true from my knowledge of the road. So that you have no special suggestions to make in reference to the interstate commerce act, or have you?

Mr. CHOATE. No, sir; I have not.

The CHAIRMAN. While you admit and believe that these Canadian roads, in competition with the American roads, are an advantage to your people in respect to bringing your products here at cheaper rates, yet you still believe, do you, or do you not, that they ought to be regulated in the same way as are the American roads, if it can be done?

Mr. CHOATE. I think so. I have no doubt the business of the Canadian roads to and from New England has been very largely increased since the passage of the interstate commerce law.

The CHAIRMAN. Would it not have been increased whether the law was passed or not?

Mr. CHOATE. I do not think it would. As a rule, I think, in respect of the greater part of the business, the Canadian roads were at a disadvantage prior to the passage of the interstate law, and could only do business at a lower rate.

INCREASE OF TRAFFIC OVER CANADIAN ROADS.

Senator GORMAN. When you say the business of the Canadian roads has increased very much since the passage of the law, do you mean that they have got an undue proportion of the tonnage?

Mr. CHOATE. I have no doubt of it—in certain kinds of business. I was informed the other day that all the business of the New England mills to and from China is carried over the Canadian roads.

The CHAIRMAN. What kind of traffic is that?

Mr. CHOATE. Cotton goods, and so on.

The CHAIRMAN. From New England mills?

Mr. CHOATE. Yes, sir; from New England mills. The Canadian Pacific run a car into the mill-yard, where it is loaded and sent to the shipping point, and then the goods are taken by English steamers to Victoria or Puget Sound, and at Victoria or Puget Sound they are taken by English steamers to China. That is new business.

The CHAIRMAN. Would that be so, in your judgment, if there were no interstate commerce law at all?

Mr. CHOATE. I think that traffic would go on other roads. I think it would be taken by American roads.

The CHAIRMAN. Why should it be taken by American roads if there were no interstate commerce law? Why can not the American roads take it now just as cheaply as the Canadian roads?

Mr. CHOATE. They can not afford to take it. All their intermediate business is affected if they take it, and of course they can not do it.

The CHAIRMAN. The interstate commerce law only provides that a road shall not charge more for a short haul than for a long haul.

Mr. CHOATE. They would probably have to charge less for the long haul than for the short haul on this business, or else sacrifice the whole intermediate business of the road.

The CHAIRMAN. I do not see why they would be compelled to do that. They take a shipment, for instance, from a New England mill to Puget Sound. The only regulation of the interstate commerce act would be that they should not take a shipment from any place between these two points at a greater rate than the aggregate rate for the entire distance. How can that affect the business of the American roads?

Mr. CHOATE. I suppose it does, or else they would take the business, not to Puget Sound, perhaps, but to some point from which shipments could be made to China.

The CHAIRMAN. I am unable to see, myself, how these long through shipments from one side of the country to the other can be affected materially by what we call the long and short-haul clause of the act. Say a shipment is made from Boston. Suppose you go 500 miles and then make a shipment from there to San Francisco. It would certainly be unreasonable to charge more from the point where you stopped, 500 miles from here, to San Francisco than you charge from here, and the same rate from that point to San Francisco as from here certainly ought not to interfere with the American roads.

Mr. CHOATE. I do not think I can tell you why, but it does.

The CHAIRMAN. It must be done, if it is done at all, by the Canadian roads either charging less than it costs, or else the American roads want more than they ought to have.

Mr. CHOATE. I do not think that would follow, Mr. Chairman. If the Canadian road could not get the business in any other way it would do it for a very small profit. The American road would not be willing to take it at such a low price. Now, if the Canadian road can take that

business and can get a little profit out of it, of course they think it is better for them to do it.

The CHAIRMAN. As a railroad man, which you are, will you please explain how the competition of the Canadian roads affects the American roads under the interstate commerce law?

Mr. CHOATE. I do not know how it is done, but presume it is done in this way, that the Canadian roads do business at cheaper rates than the American roads, because the law does not affect the intermediate business of the Canadian roads as it does that of the American roads.

The CHAIRMAN. How does it affect the through business on the American roads?

Mr. CHOATE. I suppose the rates at which the American road would have to take the business would affect their intermediate business.

The CHAIRMAN. What would probably be the cost of shipping a car-load of cotton goods from here to San Francisco?

Mr. CHOATE. I suppose it would cost as low as a half a cent a ton per mile, in one continuous shipment.

The CHAIRMAN. What would be the aggregate of that on a car-load from Boston to San Francisco?

Mr. CHOATE. One hundred and fifty dollars.

The CHAIRMAN. Suppose you took a car-load from any other point half way between Boston and San Francisco, $150 would be all you would want—all you would probably charge, or more; or if you started half way between Boston and San Francisco and hauled a car-load of goods two-thirds of the way to San Francisco you would not want more than $150, probably; so that practically what I was trying to get you to explain is how the law actually affects the business of the American roads.

Mr. CHOATE. You have the Grand Trunk at one end and the Canadian Pacific at the other. Here there are a half a dozen people to be consulted about the rates to be agreed upon. Of course the local rates have got to be considered. Half a dozen freight agents have to be consulted, and all that. That is one reason, probably.

The CHAIRMAN. Who owns the Central Vermont and the Maine Central Railway?

Mr. CHOATE. The Maine Central Railroad is very largely owned by the Boston and Maine. The Boston and Maine is a local road, and is owned in Massachusetts and New Hampshire.

The CHAIRMAN. What I desire to get at is, what the fact is with reference to American ownership of these roads that connect with the Canadian roads?

Mr. CHOATE. Practically there is no foreign ownership. There may be a little smattering of foreign ownership, but very little. Those roads you mentioned are practically all owned by parties in the United States.

The CHAIRMAN. Is there any American capital invested in any of these Canadian roads?

Mr. CHOATE. I should say not to any extent.

The CHAIRMAN. What do you know about the subsidies given to these Canadian roads?

Mr. CHOATE. I do not know anything about them.

The CHAIRMAN. What about the steam-ship lines at Halifax or in that neighborhood?

Mr. CHOATE. I know nothing about that.

The CHAIRMAN. What is the differential given now by the American lines to the Canadian line?

Mr. CHOATE. That I do not know.

EFFECT OF EXCLUDING CANADIAN ROADS.

Senator BLAIR. Do you see any remedy for the American roads unless they are to get higher rates for what they do?

Mr. CHOATE. I do not know that there is any remedy.

Senator BLAIR. It seems to your mind, then, that the American roads could get no benefit unless they got more income. Is there any doubt that if that income is paid it must be paid by the people?

Mr. CHOATE. Of course, all that the roads get comes out of the people and out of the business. I feel then that the country we represent, where we have a large local business, is benefited by what has resulted from the competition of the Canadian road, and in that way I have the feeling, not as a railroad man but as to the whole business of that part of the State, that there is a benefit conferred by keeping these roads open. I have no doubt that the portion of the State north of Boston is benefited to a much greater extent than that part of the State south of Boston. For instance, Lowell gets the Boston rate almost entirely because it is on the Northern Line which goes from Boston to Lowell.

Senator BLAIR. The question has been put to several witnesses by myself and others, whether there would be any other way of subjecting the Canadian roads to the operation of the American law except by imposing the condition that they shall do no business for the American people unless they conform to that law. Assuming then that we make that a condition and they do not conform to it, what would be the effect of the exclusion of the Canadian railroad element from American affairs—the effect upon our portion of the country especially.

Mr. CHOATE. I think the exclusion of the Canadian lines from New England would be disastrous to New England. The probability is that it would lead to an increase in railroad rates to and from the West and South on large classes of goods. It would increase the rates on grain and on oats and on cotton and on rough, heavy products generally.

Senator BLAIR. That, then, would be felt by the manufacturers of New England as well as the rural population?

Mr. CHOATE. Yes, sir.

Senator BLAIR. Is there any class of business that would not be likely to be prostrated by it?

Mr. CHOATE. I do not think prostrated, but I think all would be affected.

Senator BLAIR. Seriously?

Mr. CHOATE. I think it is important to New England to keep that avenue open.

Senator BLAIR. You spoke of the increase of Canadian traffic within the period covered by the interstate commerce law—some years now. Is it not a fact that during that period of time the Grand Trunk has made its first connection with Chicago, and during the same period of time the Canadian Pacific was completed, so that practically these causes are wholly independent of the interstate commerce law and have during these two years been brought into operation?

Mr. CHOATE. The Grand Trunk had a connection to Chicago, but I do not know how it made it before. Western products were brought over the Grand Trunk for a great many years coming by way of the Canada Southern, I suppose, and Detroit.

Senator BLAIR. And the connection between St. Paul via the Sault Ste. Marie has been made within this period, has it not?

Mr. CHOATE. That line always had the business and we always got the benefit of it for nothing. I have had some business there, and I

know it has been done there for some years almost without profit. Of course the local business of these roads is important for the line to maintain. The management of through business was left practically to the Central Vermont and was done at extremely low rates.

Senator BLAIR. Would it not be necessary in addition to the enforcement of the interstate commerce act in Canada, to compel the Central Vermont to charge a reasonable profit upon the capital invested in roads that do business for less than what would be a fair income upon that capital?

Mr. CHOATE. I do not know that that would be at all necessary.

Senator BLAIR. Would you not be obliged to increase the charges on the Central Vermont?

Mr. CHOATE. That is, to make it pay dividends on its cost, do you mean?

Senator BLAIR. Would you not be obliged to compel it in some way to charge more to the people, just as others propose to make the Canadian roads charge more to the people, in order to afford any relief to those who compete with them?

Mr. CHOATE. I think not.

Senator BLAIR. What is the object of imposing the conditions of the interstate commerce law upon Canadian roads if it be not to increase the charges of those roads?

Mr. CHOATE. The sense of justice. If you impose such conditions on the American roads you ought to do likewise with respect to the Canadian roads.

Senator BLAIR. After all, do you think the railroads of the United States are making this outcry against Canadian competition in order to see justice administered, or that they may have an opportunity to compete and get more money out of the business?

Mr. CHOATE. I have not heard much outcry about this matter. The thing has not been discussed much here among the railroads or the people generally until the question was raised, whether you proposed to shut up the Canadian roads.

Senator BLAIR. Have you heard any other reason for shutting them up, except that they charge less than the American roads?

Mr. CHOATE. That they are taking business from the American lines under conditions imposed by the law which prevent the American roads from competing. That is, as I understand it, the argument which is made.

Senator HISCOCK. You say that a sense of justice would dictate that our own trunk lines on our own soil should have equal advantages with the trunk lines on foreign soil in carrying American property. In other words, that we should not, by legislation, discriminate against our own domestic corporations?

Mr. CHOATE. I think so.

NEW ENGLAND AND THE INTERSTATE COMMERCE LAW.

Senator HISCOCK. And of course as there is always a struggle on the part of every mercantile and manufacturing community to get the cheapest rates it can, would not New England be better satisfied to bring the Canadian trunk lines under the operations of the interstate commerce law than to strike down the interstate commerce law as it applies to all other corporations—I mean to American corporations? Supposing she should see fit to abrogate the whole system—the whole law—or else bring a foreign corporation under it. Has that question been discussed by the people of New England?

Mr. CHOATE. My impression is that the general feeling in New England is against the interstate commerce law. It has been of no advantage to New England; or, perhaps, to anybody else.

Senator HISCOCK. If New England, then, could have her choice, she would repeal the law?

Mr. CHOATE. I am inclined to think so. If I recollect aright, New England fought against the law.

The CHAIRMAN. Some of New England; not all of it.

Mr. CHOATE. I think all of New England in the Senate practically voted against the law; I think all except Senator Edmunds.

Senator HISCOCK. So the remedy with which you propose to correct this evil, if an evil it is, is to repeal the interstate commerce law?

Mr. CHOATE. I do not know that I recommend that. If they want to, perhaps it is well enough to try it. I do not believe in any such legislation. I think the only good effect the law has had was to stop the over-building of railroads.

The CHAIRMAN. You think that was a good thing to do?

Mr. CHOATE. I think that was a good thing to do.

Senator HARRIS. As a railroad man, have you any doubt if we should pass some act requiring the Canadian roads to conform strictly to the provisions of the interstate commerce act, or pay duty upon every car from Canada that entered the United States, that they would subject themselves to the provisions of the act and observe it?

Mr. CHOATE. I think they would agree to; I do not believe they would observe it; they might just as well, so far as New England business is concerned, give up the business. If they are to observe all its conditions I do not believe they could do any business.

Senator HARRIS. Senator GORMAN suggests, why could they not do business?

Mr. CHOATE. They are at a disadvantage. They have 300 miles more distance to traverse; that is, taking it to Boston. The fact is, that as a competing road it is of value. If it is to compete on equal terms, it practically would have to give up the business.

Senator HARRIS. By reason of its longer line, then, it could do no business if it should subject itself to the same legislation as we subject our roads to?

Mr. CHOATE. I should think so.

Senator HARRIS. If we enforce the provisions of the act upon our own carriers, do you not think justice demands that we should compel the Canadian roads, in what we can, to conform to precisely the same regulatians?

Mr. CHOATE. I think, in answer to the Chairman, I stated that I thought justice demanded that the same regulations should be applied to both systems of roads. If you regulate one, you ought to regulate the other.

Senator HARRIS. I understand you to say that you think New England, as a section, was opposed to the interstate commerce act, and you favored its repeal?

Mr. CHOATE. I think the general feeling in New England is that there has been no benefit, in New England, derived from it.

Senator HARRIS. What is your own personal opinion as to the effect of the regulations imposed by the interstate commerce act upon the business of the carrier and the people generally?

Mr. CHOATE. I have been unable to see any benefit to anybody from it. I will say this, the practical requirements of the interstate commerce act have been almost universally observed in New England. I

do not think the prohibition of discrimination has been evaded. I do not think we discriminate here in New England, and never did. That is, there was no individual discrimination.

The CHAIRMAN. Before the passage of the act?

Mr. CHOATE. Before the act was passed. I can not conceive why there should be. What object has a railroad man in discriminating between individuals, except it may be to some extent in passes, which is rather an incident of the law than an actual part of it. The ruling has been and the railroad men all agree that the interstate commerce law prohibits the issuance of passes. At any rate, they were all ready to accept that as a result of the law, but apart from that I think there was no discrimination here in New England.

As to the long and short haul clause, we have had a State law relative to that which has been in force practically for some time. The only point that might have been affected was that in relation to pooling. There had been some pooling here in New England, and there I think the law makes a great mistake, because I think regulated pools do more for the people and the railroads than anything else.

Senator HARRIS. Then I understand you as saying that the New England carriers were observing the principle upon which the interstate commerce act is based prior to the passage of the act.

Mr. CHOATE. I think practically they were.

Senator HARRIS. Then if New England was conforming to the same principles and the same regulations before the passage of the act as now, why should they oppose an act imposing exactly the same rules throughout the whole country?

Mr. CHOATE. I think the opinion in New England is that western rates on New England goods have been increased rather than diminished.

Senator HARRIS. Has not the effect been to give greater stability to rates?

Mr. CHOATE. Yes, I think it has, on through freights.

Senator HARRIS. Is not that a benefit to the public as well as to the carrier?

Mr. CHOATE. Undoubtedly. I think, however, you could get greater stability of rates by a regulated pool than in any other way.

The CHAIRMAN. You did not get much stability by an unregulated pool, did you?

Mr. CHOATE. An unregulated pool amounts to nothing.

Senator HISCOCK. Is not that now practically reached by differential rates?

Mr. CHOATE. No, sir; I do not think you can reach it in any other way.

Senator HARRIS. Upon what principle would you divide the traffic; in given proportions between the competing lines, or would you pay differences in money?

Mr. CHOATE. Probably to settle in money would be a better way.

Senator HARRIS. And when you do that, do you not pay to one carrier money that he has not earned—money for which he has not performed any service whatever?

Mr. CHOATE. Probably.

Senator HARRIS. Do you think the commerce of the country should be so taxed?

Mr. CHOATE. I think it is the only solution of the difficulty. Either that or the consolidation of the roads.

Senator HARRIS. Is not the same object substantially accomplished

by the right to fix and publish their rates and to agree upon and give differentials, which are recognized by all our trunk lines now?

Mr. CHOATE. I do not know so much about the through business, but the difficulty is that such a law never will be enforced. It never has been, and, in my judgment, never will be. You might just as well legislate that the Mississippi River should not run down.

Senator HARRIS. Can there be any objection to it, if it could be enforced? Would it not be advantageous, if enforced?

Mr. CHOATE. I do not think it would.

Senator HARRIS. Then you think the abolition of the law and allowing carriers to compete as before the act was passed would be a better condition of things than we now have under the law?

Mr. CHOATE. I think the western railroad troubles have been aggravated by the interstate commerce law. I think that the regulation of this competing business by pooling is what ought to be sought for, and I do not think there is any other remedy for it.

THE REGULATION OF THE CANADIAN LINES.

Senator GORMAN. I understand your proposition is, that the operation of these Canadian roads has been of great benefit to New England?

Mr. CHOATE. I have no question it has, and is now a great benefit to New England.

Senator GORMAN. What proportion of the through traffic to and from New England has been carried over these Canadian roads?

Mr. CHOATE. I think it has been comparatively small. It has not been the amount of business done, but the effect on the whole.

Senator GORMAN. In regulating charges?

Mr. CHOATE. They have had the effect of doing exactly what Mr. Adams says, of reducing rates to and from New England, and of making the rates very nearly, if not entirely, as low as to and from New York.

Senator GORMAN. They have been able to do that because they have no dividends to pay, as I understand you?

Mr. CHAOTE. That is one of the reasons.

Senator GORMAN. Is not that the main reason?

Mr. CHOATE. Probably.

Senator GORMAN. Now, as an American, embracing the whole country, is it a proper business relation for this country to permit one or two bankrupt foreign railroads, roads which are not compelled to pay dividends, to make unrestricted competition with American capital?

Mr. CHOATE. I am not answering it politically. I answered as a railroad man as to what the effect of the operation of the Canadian roads has been. What remedies are to be applied is a question for you to consider.

Senator GORMAN. But what we are after is to get the opinion of such gentlemen as yourself, who are familiar with the question from a business stand-point. That is the gist of our inquiry, and I should like very much to have your opinion on that point.

Mr. CHOATE. I think if the Canadian roads are allowed to compete with the American roads they should be required to do so on equal terms.

Senator GORMAN. So far as the interstate commerce law is concerned.

Mr. CHOATE. Yes, sir.

Senator GORMAN. Would you go beyond that? As I understand it, we permit the Canadian roads to enter our territory at any convenient point, pick up the products of this country and take them through

Canada and back into our country again. Would you allow that traffic to go on?

Mr. CHOATE. I am inclined to think I would. Canada comes down, practically, between New England and the West, and I think New England should be allowed the advantage of a straight line across the country. I do not think any obstacle should be put in the way.

Senator GORMAN. You would permit that trade to flow as freely as if it went entirely through our own territory?

Mr. CHOATE. Yes, sir; I think so.

Senator GORMAN. Would you insist, on the other hand, that our American vessels, landing at Canadian ports, should have the right to discharge their cargoes and ship through to Boston with the same freedom?

Mr. CHOATE. I think they should be allowed to do so.

Senator GORMAN. Would it not be wise, then, to insist that if we continue to allow the Canadian roads to enjoy these privileges, such as they have to-day, that the same rights should be extended to our people in respect of our American fishing vessels?

Mr. CHOATE. I think it is perfectly just to ask it. Whether you could get it or not I do not know.

Senator GORMAN. In your judgment would it be wise, if this privilege is not extended to our fishing vessels, for us to exclude the cars of the Canadian roads?

Mr. CHOATE. The exclusion of Canadian cars would be a great inteference with the business of the country.

The CHAIRMAN. You would therefore let this system go on and grow?

Mr. CHOATE. I would try to arrange the matter without going to that extreme end.

Senator GORMAN. But if it became necessary, would it not be fair to say to Canada, "Unless you permit our fishing vessels to land at your ports, discharge their fish, and send them to Boston, we will stop the running of Canadian cars in this country?"

Mr. CHOATE. I suppose it would be fair enough, but would it pay? When this Canadian territory jumps down into the United States, as it does, it is a very great convenience to the people of New England and other parts of the country to have their goods taken on a straight line to the other end of the country, which means through Canada, without paying duties and without interference. It is a question in my mind, if you went to that extent, whether you would not impose a greater burden upon the Americans than you would upon the Canadians. However, as to how that would be I am unable to say.

Senator GORMAN. But do you not think it would be a fair proposition that precisely the same rule should apply on both sides?

Mr. CHOATE. Yes, sir.

Senator HISCOCK. Would you say that, provided there were ten millions of people or six millions of people interested in one thing being done, and only one million interested in the other thing being done?

Mr. CHOATE. I do not think the mere fact that there are ten million people on one side and only one million on the other would be a great factor. I think the opening of the Canadian roads has been much more important to the people of New England than it has been to the owners of those roads. I do not think the owners of those roads have got very much money out of the New England business. What business has been done has been done at extremely low rates.

Senator GORMAN. Do you regard the Canadian Pacific as a political or military road?

Mr. CHOATE. The Canadian Pacific never entered very much into the observations I made. I simply alluded to Canada as a route to the West. That is what Mr. Adams referred to. The Canadian Pacific brings a new element into the question.

Senator GORMAN. In the light of the day, do you not regard the Canadian Pacific as a political or military enterprise rather than a commercial one?

Mr. CHOATE. I suppose so. The Canadian Government is trying to make it a great military success.

Senator REAGAN. You stated that the business of the Canadian roads has increased very largely since the adoption of the interstate commerce law by Congress. Will you please explain that?

Mr. CHOATE. Well, I have no certain information about that. It is a matter of common report that the business of the Canadian roads has increased very much.

Senator REAGAN. We can assume I think from the testimony we have heard that there has been an unusually large increase in the business of the Canadian Pacific in that time, and when we consider that they have to cross the Detroit River, that their line runs through a sparsely settled country, with a great deal less local business than along our lines, is it not a necessary conclusion that they have adopted rates below what our roads could carry for, in order to increase their business to the extent they have?

Mr. CHOATE. They would not have gotten the business unless at rates cheaper than the American roads charged.

Senator REAGAN. Would it not be proper for the United States Government to insist that its capital should not be discriminated against in that way?

Mr. CHOATE. I do not think you could legislate to prevent that.

Senator REAGAN. Could not prevent the Canadian roads from taking freight at lower rates?

Mr. CHOATE. Yes, sir.

Senator REAGAN. Is it not an unjust discrimination against American roads and American capital to permit the Canadian roads to take the business away from the American roads?

Mr. CHOATE. I think it is an unfortunate condition of things that the Canadian roads should be allowed to compete untrammeled, without any sort of condition, with the American roads whose hands, to a certain extent, are tied. It is not fair competition, and the American roads should not be subjected to it.

Senator REAGAN. You suggested awhile ago that it was advantageous for New England and the West to have a passageway across Canada by this Canadian road. You understand there is no objection to that if the Canadian roads come under the same regulations as the American roads, and if they carry in fair competition with the American roads. Is there any objection to compelling them to carry in fair competition with the American roads?

Mr. CHOATE. No, sir; not if you can succeed. If you can not do it some other scheme ought to be adopted.

OPERATION OF THE INTERSTATE COMMERCE LAW.

Senator REAGAN. Did I understand you to say that the interstate commerce law could not be enforced in the United States?

Mr. CHOATE. I said I did not believe it ever will be enforced.

Senator REAGAN. What is your reason for believing that it never will be enforced?

Mr. CHOATE. Because it has not been enforced so far.

Senator REAGAN. I will ask you a few questions in detail arising under the interstate commerce law.

When the law provides that there shall be no discrimination in rates, but that they shall be fair and equal, is that an unjust law?

Mr. CHOATE. Not at all. We have always observed the law, and are endeavoring to observe it here.

Senator REAGAN. Is your opinion not based on the fact that under the action of your railroad commission in Massachusetts—and it is so in other New England States, but I will speak of it—that you were complying substantially with the terms of the interstate commerce law before it was passed?

Mr. CHOATE. Do you mean the present condition of the railroads here depends upon the action of the State railroad commission in the past?

Senator REAGAN. I asked whether your opinion did not rest upon the fact that you were substantially complying with the terms of the interstate commerce act before it was passed.

Mr. CHOATE. No, sir. I think the long and short haul clause of the act has had an injurious effect.

Senator REAGAN. Do you think it is right to charge one man more than another for the same character of goods over the same road and carried the same distance?

Mr. CHOATE. I think there are circumstances under which it is better for the railroad and better for the community to charge less for the longer haul.

Senator REAGAN. Could you specify a case?

Mr. CHOATE. Take, for instance, our road from Boston to Provincetown. It is 120 miles. It is 36 miles across by water. I would make a lower rate to Provincetown than I would to a point half way between Boston and Provincetown.

The CHAIRMAN. You have a law that prevents that.

Mr. CHOATE. Yes, sir; and I think that is wrong.

Senator REAGAN. Do you think that law has the same effect as the interstate commerce law?

Mr. CHOATE. Yes; we can not charge any less to Provincetown than we can to a point half way between Boston and Provincetown.

Senator REAGAN. The Commission has decided that you can do it.

The CHAIRMAN. The State commission decided differently.

Senator REAGAN. I am simply speaking of the interstate commerce law as interpreted by the Commission. The law provides that there shall be no secret rebates and drawbacks.

Mr. CHOATE. That is right in every way.

The CHAIRMAN. You do not like the law generally, but specifically and in detail you do. (Laughter.)

Mr. CHOATE. There are some objections to the law that I think are enough to condemn it as a whole.

Senator HISCOCK. I suppose you regard the provision that rates shall be reasonable and just as very definite? (Laughter).

Mr. CHOATE. Yes, sir; very definite.

Senator BLAIR. That is simply the common law from time immemorial.

Mr. CHOATE. I think so.

Senator BLAIR. The feature you find fault with, and the only one, is the long and short haul clause, is it not?

Mr. CHOATE. There is one provision which is worse than the long and short haul clause.

Senator BLAIR. What is it?

Mr. CHOATE. The prohibition of pooling. I think the prohibition of pooling is enough to condemn the whole law.

Senator BLAIR. Do any other features occur to you to which you object?

Mr. CHOATE. No, sir.

The CHAIRMAN. Then you believe that a legalized pool is the proper solution of this problem?

Mr. CHOATE. Yes, sir. The very best thing that could be done for the business of the country would be to legalize pooling under the supervision of the Interstate Commerce Commission, or some other body.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

STATEMENT OF JOHN WHITMORE.

JOHN WHITMORE, general traffic manager of the Fitchburg Railroad, appeared.

The CHAIRMAN. Are you engaged in railroading?

Mr. WHITMORE. Yes, sir.

The CHAIRMAN. What is your position?

Mr. WHITMORE. I am general traffic manager of the Fitchburg Railroad.

The CHAIRMAN. Where do[illegible] run from and to?

Mr. WHITMORE. It runs from Boston to Rotterdam, N. Y., where it connects with the West Shore Railroad, and to Mechanicsville, N. Y., connecting with the Delaware and Hudson, and thence to the Erie and Lackawanna, and also down to Fitchburg, where it connects with the Old Colony; also to a point where it connects with the Cheshire Railroad, and then up to the Central Vermont and the Canadian Pacific.

The CHAIRMAN. Do you have connection with the Canadian Pacific?

Mr. WHITMORE. We do, but we do not do a great deal of business with them; we do a little business with them.

The CHAIRMAN. What is the amount of tonnage on your road that is interchanged by reason of this connection with the Canadian Pacific?

Mr. WHITMORE. In connection with them it is very light indeed.

The CHAIRMAN. What proportion of it is through business probably?

Mr. WHITMORE. I should think half of it is through business.

The CHAIRMAN. What is your total business?

Mr. WHITMORE. Five or six million tons a year.

The CHAIRMAN. What is it in money value?

Mr. WHITMORE. To us?

The CHAIRMAN. Yes; and the value in merchandise as well?

Mr. WHITMORE. A quarter of a million dollars a month I should say.

The CHAIRMAN. To you?

Mr. WHITMORE. Yes, sir; that is including the entire business.

The CHAIRMAN. Have you with you a statement of the total value of the traffic?

Mr. WHITMORE. No, sir.

The CHAIRMAN. Have you any definite views in reference to this question before the committee, especially with respect to the suggestion relative to these Canadian roads and our own?

Mr. WHITMORE. It is a matter in which we as a road are not very much interested. We connect with them to a small extent and we compete with them so far as we are concerned to a considerable extent. I think they should certainly be regulated in some way so that what they do may be controlled. It certainly can not be fair that they should imperil so much money as is invested in the United States railroads without some restriction.

The CHAIRMAN. Do the Canadian roads seriously interfere with your business?

Mr. WHITMORE. No, sir; not with ours.

The CHAIRMAN. Are they not of very great value to the people of New England? Suppose the Canadian roads were not in existence, how would the New England people get along?

Mr. WHITMORE. I think north of a line drawn east and west through Portland the New England people are considerably benefited by the Canadian roads, but I should say south of that they are very well served by the United States roads.

The CHAIRMAN. Do you think the people of Boston, and New England people generally, are getting the transportation from the West very much cheaper because of competition between these lines?

Mr. WHITMORE. I do not think Boston is.

The CHAIRMAN. You think Boston could get along as well without the Canadian roads as with them?

Mr. WHITMORE. As far as Boston is concerned, I should say so. The northern routes have not been particularly in favor of low rates, but only a little lower rates. They do not care how high they are so that their rates are just so much lower as to enable them to get the business.

The CHAIRMAN. Do they act so as to get their rates a little lower that the rates of the American roads?

Mr. WHITMORE. Yes, sir.

The CHAIRMAN. So that if they were not in existence transportation on American roads would be higher, would it not?

Mr. WHITMORE. I do not see why. I think the competition between the American roads themselves and with the canal and water routes would keep the rates down.

The CHAIRMAN. South of this line you have referred to?

Mr. WHITMORE. Yes; south of a line drawn through Portland and White River Junction.

The CHAIRMAN. And you think south of that line the people of New England, including those of the city of Boston, are not particularly benefited by those foreign roads?

Mr. WHITMORE. I think that is the case.

The CHAIRMAN. With the subsidies said to be given to the Canadian Pacific Railroad and to the road across the State of Maine, and with the subsidizing of a steam-ship line to Europe, is not Boston and this section of New England liable to be injured rather than benefited by the Canadian line?

Mr. WHITMORE. I should think it would. They would be liable to take business at Halifax and direct to Puget Sound.

The CHAIRMAN. Boston is quite a large port for foreign shipment, is it not?

Mr. WHITMORE. It is.

The CHAIRMAN. And you think that the connection of the Canadian Pacific with Nova Scotia and some of those ports in that direction is calculated to draw business away from Boston rather than bring trade to it.

Mr. WHITMORE. Unquestionably so, and not only from Boston but also from other Atlantic ports.

The CHAIRMAN. But from Boston principally.

Mr. WHITMORE. Yes, and from New York, too.

The CHAIRMAN. Then the substance of what you say is this, that this section of country would get just as cheap transportation without those Canadian roads as with them?

Mr. WHITMORE. I should say they would.

The CHAIRMAN. How many roads are there that afford transportation facilities to Boston and this section of New England aside from these Canadian roads?

Mr. WHITMORE. There are the Boston and Albany, with the New York Central connection, the New York and New England, with the Erie and Pennsylvania, and our road with the Erie and West Shore and Lackawanna and Erie Railroads.

The CHAIRMAN. You mean the Erie Canal?

Mr. WHITMORE. Yes, sir. We connect with them.

The CHAIRMAN. In your shipments east and west you have to transfer from the car to the canal one way and from the canal to the car the other way.

Mr. WHITMORE. So far we have only done a grain business with them. We have not taken anything west-bound. We only commenced that last year.

The CHAIRMAN. You are doing a grain business mainly from west to east.

Mr. WHITMORE. Yes, sir.

The CHAIRMAN. And you have to load in the cars from the canal.

Mr. WHITMORE. Yes, sir; through the elevator.

The CHAIRMAN. Is that very expensive?

Mr. WHITMORE. No; the charge is a half a cent a bushel.

The CHAIRMAN. How much do you charge per car-load for grain from Chicago to Boston?

Mr. WHITMORE. From Chicago to Boston, all rail, would be 30 cents a hundred.

The CHAIRMAN. Is that the rate charged by all the roads?

Mr. WHITMORE. Yes, sir; unless the northern routes are charging more. Recently I believe the Baltimore and Ohio—although I am not very well posted on that—made a lower rate on east-bound business. Our competitors in the West, or I believe the Baltimore and Ohio, made a lower rate.

The CHAIRMAN. It is now down to 17 cents, is it not?

Mr. WHITMORE. Something like that. The Lackawanna, I believe, made a rate of 17½ cents.

The CHAIRMAN. Is your rate of 30 cents charged if the grain is shipped partly by rail and partly by water?

Mr. WHITMORE. The all-rail rate would be 30 cents.

The CHAIRMAN. What is your rate if the grain is shipped by the lakes to the canal and then the cargo transferred to your cars from the canal at the point where you connect?

Mr. WHITMORE. I do not have anything to say as to the rates over the canal and lakes.

The CHAIRMAN. Are shipments not made from Chicago, and the rate given for the full distance per hundred pounds.

Mr. WHITMORE. Yes. I should think it was about 5 cents a bushel as far as Rotterdam, and from thence up to about 9 cents a bushel through.

The CHAIRMAN. From Chicago to Boston?

Mr. WHITMORE. Yes, sir; about that.

The CHAIRMAN. It must be more than that if you charge 30 cents for the total haul.

Mr. WHITMORE. That is all rail.

The CHAIRMAN. How many pounds are there in a bushel?

Mr. WHITMORE. Fifty-six pounds. I think it runs about 10 cents a bushel.

The CHAIRMAN. So then it is probably in the neighborhood of 20 cents where it is part rail and part water?

Mr. WHITMORE. Yes, sir.

The CHAIRMAN. Do you know what the Grand Trunk is now charging from Chicago to Boston, or to Portland?

Mr. WHITMORE. About the same.

The CHAIRMAN. They are getting a differential on some traffic, are they not?

Mr. WHITMORE. On west-bound business they are.

The CHAIRMAN. And not on east-bound traffic?

Mr. WHITMORE. On east-bound traffic too, I think; but there are gentlemen in the room who later will tell you as to that.

The CHAIRMAN. What is the length of your line?

Mr. WHITMORE. We are 212 miles to Rotterdam.

The CHAIRMAN. That is on the Erie Canal?

Mr. WHITMORE. Yes, sir, and it connects with the West Shore there.

THE REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Do you think there ought to be any difference in the situation from that existing now in reference to the Canadian lines, in the regulation of them, etc?

Mr. WHITMORE. I think there must be, or else there will be disaster to the larger systems in this country. I am sure, from the little I know of it, that the American roads are being seriously injured by the competition of the Canadian Pacific.

The CHAIRMAN. You really think that they are being seriously injured?

Mr. WHITMORE. I have no doubt of it.

The CHAIRMAN. What evidence have you of it?

Mr. WHITMORE. Part of it is common hearsay. I have no doubt of it at all.

The CHAIRMAN. Do you think you would be protected as much as you ought to be if the Canadian roads were put under the same regulation as are the American roads?

Mr. WHITMORE. I doubt if we would.

The CHAIRMAN. Why?

Mr. WHITMORE. Take the United States lines. I doubt if any railroad would be properly protected by the present law if the Government subsequently built alongside of it a road at public expense and charged almost any rate to take the business. Such an aided road would be sure to injure seriously the road that was first built.

The CHAIRMAN. That would be so if there were any interstate law or not, would it not?

Mr. WHITMORE. Yes.

The CHAIRMAN. Then, does the law make any difference?

Mr. WHITMORE. I think the law is defective in this respect, it is not only defective in regard to the Canadian roads, but the building of roads

in this country is not sufficiently restricted. I believe it to be a fact that you could not get a charter to build a railroad in some States unless you proved to a local committee the railroad would pay.

The CHAIRMAN. You are aware that under our Constitution Congress has no right to interfere with State charters?

Mr. WHITMORE. That would be the trouble, it seems to me.

The CHAIRMAN. And the only restriction would be by State action?

Mr. WHITMORE. Yes.

The CHAIRMAN. And that, you think, is the only difficulty in the premises?

Mr. WHITMORE. It seems to me the great one.

The CHAIRMAN. Do you think the interstate commerce law itself in its operation is having very much to do with the question of your dividing the traffic with the Canadian roads?

Mr. WHITMORE. Will you please repeat that question?

The CHAIRMAN. Do you think if the interstate commerce act were repealed that the situation would very much differ from what it is as between the American lines and the Canadian lines? Would they not go on as they have, and strengthen their roads and prepare themselves for securing business, and would they not then be just as likely to interfere with the American roads as they now are?

Mr. WHITMORE. I think the situation would be worse, if anything.

The CHAIRMAN. You think it would be worse if the law were repealed?

Mr. WHITMORE. I think so.

The CHAIRMAN. Will you give your reason?

Mr. WHITMORE. Mainly because rates could then be made without being published.

The CHAIRMAN. By the Canadian lines?

Mr. WHITMORE. By any line; yes.

The CHAIRMAN. Now they have to show their hands as far as their through business is concerned by publishing their rates as our roads do.

Mr. WHITMORE. Yes; but the fact of being subsidized allows them to come forward and compel their associated competitors to make as low rates as they do, and which they are permitted to do by law.

The CHAIRMAN. So whatever business the Canadian roads are getting over the American roads is the result of the fact that the British Government has aided largely the construction of these foreign roads, and they are able to transport products from one side of the country to the other at the mere cost of transportation, or less, while railroads in the United States are not.

Mr. WHITMORE. I think that is the great trouble.

THE QUESTION OF POOLING.

The CHAIRMAN. Have you any suggestions to make as to amendments of the interstate commerce act as applied to our relations with Canadian roads, or among ourselves?

Mr. WHITMORE. I think the only chance to possibly give the American roads the slightest show to earn anything at all for their investors, is to allow them to do the best they can among themselves in the way of pooling. It seems as if every interest in this country except the transportation interest is permitted to be protected, and the investment in the transportation service in this country runs up to pretty nearly ten thousand millions of dollars. At present the law does not

provide for the protection of the investor in the transportation service, while it does for the shipper.

The CHAIRMAN. Do you think that pooling did you any good when it existed?

Mr. WHITMORE. Not a great deal, because it was unaccompanied by the other requirements, the other provisions of the interstate commerce act which are good, such as the publication of rates.

The CHAIRMAN. So that you would favor the amendment of the interstate commerce act by providing that railroads should be allowed to make contracts amongst and between themselves involving some features of the pool, subject to the approval of the Interstate Commerce Commission, would you?

Mr. WHITMORE. Yes, sir, decidedly. I think, too, the long and short haul clause is not right.

The CHAIRMAN. Why?

Mr. WHITMORE. For instance, suppose the rate for 1,000 miles was a dollar. Under the law you would be permitted to make the rate a dollar and a half for 1,001 miles, and you would not be permitted to make the rate one dollar and one cent for 999 miles.

The CHAIRMAN. You would not be permitted to make either rate if it were shown that either was extortionate.

Mr. WHITMORE. You would not; but if you leave it without that restriction, so as to say reasonable and just, I fancy that would cover the subject better, although it does not affect our short hauls in New England so much. I am sure in some sections it does work a hardship.

The CHAIRMAN. The interstate-commerce act provides that no extortionate or unreasonable charge shall be made.

Mr. WHITMORE. That is right.

The CHAIRMAN. At the same time the law provides that you shall not charge more for the shorter than for the longer distance in the same direction, etc. That declaration that you shall not charge more for the shorter than for the longer distance does not give the railroad the right to charge as much, if that charge be unreasonable.

Mr. WHITMORE. That is true.

The CHAIRMAN. Is not that about right?

Mr. WHITMORE. The design is right, but I am sure that in some cases—although I am not prepared to name them—it does not work equitably.

Senator BLAIR. Do you think of any legislation or anything that can be done to better the condition of the American roads in competition with the Canadian roads which will not increase the cost to the American people, or to that portion of the American people which is supplied with transportation service by the Canadian roads?

Mr. WHITMORE. No, I do not know that I could; but I think there should be such an increase as should be necessary to make the transportation of this country a success, whereas now it is a failure, so far as the investors are concerned, and the increase would be so slight that the shippers would not feel it if it could be accomplished.

Senator BLAIR. You speak of legislation for the protection of the investor. I suppose you do not refer mainly to Canadian competition, but to other causes, do you not?

Mr. WHITMORE. To all causes.

THE PROTECTION OF INVESTORS IN RAILWAYS.

Senator BLAIR. What would be some of the suggestions that occur to your mind in the way of legislation for the protection of investors?

Mr. WHITMORE. Pooling should be allowed.

Senator BLAIR. Anything else?

Mr. WHITMORE. The long and short haul clause done away with.

Senator BLAIR. Anything else?

Mr. WHITMORE. There is another thing, but I suppose we will have to wait until the millennium for it.

Senator BLAIR. What is it?

Mr. WHITMORE. Some restriction should be placed upon the building of roads.

Senator BLAIR. Boston, you might say, is full of merchants?

Mr. WHITMORE. Yes, sir.

Senator BLAIR. There is no need of another one here?

Mr. WHITMORE. No, sir.

Senator BLAIR. Are they all making money?

Mr. WHITMORE. I do not know, I am sure; I should think not.

Senator BLAIR. We see it stated from time to time that ninety-five out of every hundred merchants fail in the course of life-time. Ought there not to be some protection for those who invest their money in trade?

Mr. WHITMORE. I suppose they do insure it all they can, by getting up trusts, such as the sugar trust. They get together and protect themselves all they can, but the railroads do not seem to be protected at all.

Senator BLAIR. One remedy would be railroad trusts in the form of pooling, I suppose.

Mr. WHITMORE. Something of that kind to protect property.

Senator BLAIR. Prior to the development of the trust, all the way from the earliest stages down, the merchants have had this same difficulty. Competition has come in and eaten up the great proportion of them. Should it not be a rule of business of mankind that a man who has gone into business, put capital into it, should be insured the right to make money against all the world?

Mr. WHITMORE. I suppose it should be.

Senator BLAIR. If a community is called upon to do that it ought to have something to say about who shall go into business.

Mr. WHITMORE. It is a public disadvantage when a railroad does not earn money. The present state of perfection on the railways of the country has come from the fact that they have earned money.

Senator BLAIR. Is this not true, that they have done it with other people's money, not with their own?

Mr. WHITMORE. To what do you refer?

Senator BLAIR. You are speaking of the fact that the railroad people have developed the country. Have they not done so with other people's money rather than with their own?

Mr. WHITMORE. I did not mean the railroad people. I meant to say the people who had their money invested in railroads.

Senator BLAIR. Is it not a fact that the money invested in railroads has been made by people engaged in other occupations? What railroad man has put his fortune into additional railroads, as a rule?

Mr. WHITMORE. If you mean by a "railroad man" a railroad officer, there are not many railroad officers who have had money to dispose of; but if you take such investors as the Vanderbilts and others, they are continually doing it.

Senator BLAIR. They are simply handing over the fares and freights collected from the people and putting them into the shape of railroads, are they not?

Mr. WHITMORE. When the stock is distributed it is sold to widows and orphans and everybody else.

Senator BLAIR. But the widows and orphans have made their money in some other pursuit before they could put into the railroad?

Mr. WHITMORE. Unquestionably.

Senator BLAIR. So that the demand that money invested in railroads should be protected, while money invested in any other business should take its chances, is rather inequitable?

Mr. WHITMORE. I say that if trusts are permitted in commercial business, the same sort of protection should be permitted in the railroad business. If a railroad does not earn a fair profit the result is that it becomes inefficient and positively dangerous, and it is therefore a public benefit to keep the railroads of the country as efficient as possible. There is no question about it that they have developed this country enormously, and have been of greater benefit to every other business than their own.

Senator BLAIR. In regard to the practical question which is referred to this committee of endeavoring to learn what remedy the public would desire to see adopted as against this Canadian competition, do you think, in the first place, that it is wrong for the six or eight or ten millions of people, who get their transportation cheaper by reason of these Canadian roads, that they should have this cheaper transportation? In other words, put it in this way: Would it be wrong for me to accept the gift of transportation from anybody who saw fit to give it to me any more than it would be to accept a dollar in money?

Mr. WHITMORE. Certainly not. It is not very loyal to a man's own country, however.

Senator BLAIR. Suppose that an American road saw fit to do the same thing, would you not think it a hardship to prohibit any citizen or body of citizens from accepting that benefit which the cheaper route would confer?

Mr. WHITMORE. I think it would be accepted immediately.

Senator BLAIR. Is it any worse to accept it from a foreigner than from our own people?

Mr. WHITMORE. I do not see that it is wrong in either case.

Senator BLAIR. It is a question, then, whether you are to say to the railroads of the country "We will protect you against loss by taking money out of the pockets of the American citizens."

Mr. WHITMORE. That is the point.

Senator BLAIR. Your position is this, that the American citizens should pay more for their transportation in order that American railroads may be saved from loss upon their capital.

Mr. WHITMORE. That is the extreme view. I think that the railroad investment should be protected along with other investments.

LEGALIZING POOLING.

Senator HARRIS. Do you think it important to legalize pooling, and on what principle would you base the pooling contract, by a distribution of the freights according to agreed proportions, or by settling balances in money as between the contracting parties?

Mr. WHITMORE. I think the money pool would be the better one, but I do not feel myself competent to give an opinion on that subject.

Senator HARRIS. Then, if the money pool is adopted, would it not result in paying that railroad which fails to get its due proportion of the traffic money for which it has performed no services whatever?

Mr. WHITMORE. No, sir; I can not say it would be paid money for no services whatever, because some railroads are so placed that in order to get the tonnage they will tear the other railroads all to pieces.

Take the Vermont Central Railroad. The Vermont Central can come up to us by the Canadian connections, and it can say "Give us a share of your East and West business; otherwise we will tear your property to pieces." They may do so.

Senator HARRIS. What service has the railroad ever performed for the money that is paid it upon the settlement by the pool? I understand your answer a moment since was that it would have torn the competing road up. I want to know what service it has performed to the public for the money it received?

Mr. WHITMORE. It is the only way in which it can keep up its track.

Senator HARRIS. Has it performed any service to an individual or the public for the money it received?

Mr. WHITMORE. It has performed its daily service far better than it otherwise could.

Senator HARRIS. In what respect?

Mr. WHITMORE. In keeping its property in shape. It is dangerous to allow roads to run down from lack of revenue.

Senator HARRIS. Has it carried anything for anybody for the money it received from the pooling arrangement?

Mr. WHITMORE. It can not, unless it has money enough to keep it up.

Senator HARRIS. This committee has the testimony of the president of a railroad which runs out of the State of New York. During the existence of the pool, according to that gentleman's testimony, the one company of which he is president received a half a million dollars a year for doing nothing, for which it did not carry a pound of freight for anybody. Do you think that the commerce of the country ought to be taxed to pay those balances to railroads for doing nothing?

Mr. WHITMORE. I think it is an absolute necessity to provide that the railroads shall be kept in safe condition, and I do not believe that the railroad you refer to would have been kept in safe condition if it had not received this money. Otherwise it would not have received it.

Senator HARRIS. The railroads that paid this half a million a year to the weaker road, as it is sometimes called, earned it in the carrying trade. If they did not have to pay that half a million dollars to a railroad which was doing nothing for it, could they not have afforded to render the services which they rendered to the public for a half a million less money?

Mr. WHITMORE. But the other railroad would have gone to pieces.

Senator HARRIS. The business of the country did not demand its services. According to your theory, you would compel the commerce of the country to keep up every railroad, whether necessary or unnecessary to the business of the country, by taxing it to an extent necessary to preserve them all.

Mr. WHITMORE. I would either preserve them, or I would have them abolished.

Senator HARRIS. Do you think pooling ought to be legalized, and that the long and short haul clause ought to be repealed?

Mr. WHITMORE. I think so.

Senator HARRIS. I believe you stated that the length of your road is 212 miles?

Mr. WHITMORE. Yes, sir; in one line.

Senator HARRIS. Suppose you carry a car-load of freight, of a given character, from this end of your line to the other end of it for a hundred

dollars. Can you find a reason that would justify you in charging more than a hundred dollars for carrying a car-load of exactly the same character of freight from a half-way station to the other end of your line?

Mr. WHITMORE. I believe I said that I was not prepared to give instances, and that our distances were so short that it was not important for New England to have that clause repealed. I gave it simply as an opinion that the law would be better without the long and short haul clause. There are cases where the long and short haul clause works inequitably, needlessly so.

Senator HARRIS. Take the route from Boston to San Francisco. As a railroad man, can you give a reason that would justify the carrier in charging more than a hundred dollars from a point half way between here and San Francisco to San Francisco, if a hundred dollars a car-load for the same character of freight over the same road was the rate from Boston to San Francisco?

Mr. WHITMORE. Take the case of the Canadian Pacific. The Canadian Pacific is charging a lower rate from San Francisco to Boston than the direct roads. The direct roads are charging a much higher rate. The direct roads can not compete with the Canadian Pacific, and the result is that the traffic of the Canadian Pacific is constantly increasing.

Senator REAGAN. What road is that?

Mr. WHITMORE. The Canadian Pacific. The direct roads are charging more from San Francisco to Boston than is the Canadian Pacific.

THE COST OF TRANSPORTATION.

Senator HARRIS. Is the carrier justified, because of competition, in carrying through freights for less than the actual cost of transportation?

Mr. WHITMORE. It is hard to tell what the actual cost is. I do not believe anybody knows what is the cost of transportation on a car-load of freight.

Senator HARRIS. It can be approximated, I should think.

Mr. WHITMORE. I do not know. I never knew any one who could tell what the cost was.

Senator HARRIS. You have no approximate idea as to the cost of transportation over your road?

Mr. WHITMORE. No, sir; I could not tell you what it is.

Senator HARRIS. You are in the dark, then, when you take freight as to whether you make or lose money on it?

Mr. WHITMORE. Yes, sir.

Senator HARRIS. That being so I will not press the question further.

Senator BLAIR. You have some reason for saying that the cost of transportation can not be ascertained. Will you not please, as a railroad man, explain your reason?

Mr. WHITMORE. If you took the average of the business you would take the total money and total tonnage and find what it would amount to. The rates for export would be less, and what that is I do not know.

Senator BLAIR. On what principle are fares and freights arranged by railroads?

Mr. WHITMORE. Competition entirely, I think.

Senator BLAIR. Is not competition based upon causes?

Mr. WHITMORE. Upon causes, certainly.

Senator BLAIR. Do you do business with a view to profit on the in-

vestment and make that one of the conditions or considerations, or is it merely a grasp for the business of the country between existing roads?

Mr. WHITMORE. That is what it is.

Senator BLAIR. So that the element of the cost to the road disappears largely.

Mr. WHITMORE. Yes, sir.

Senator BLAIR. And there is not enough for them all to eat?

Mr. WHITMORE. At present I do not think there is.

Senator BLAIR. And it is a question who shall be starved out.

Mr. WHITMORE. Yes, sir.

Senator BLAIR. And in trying to get enough to eat they endeavor to satisfy their appetite out of the public without any regard whatever as to whether they put money in their investment judiciously or not.

Mr. WHITMORE. I think there are a great many investments which are made injudiciously.

Senator BLAIR. Is it fair that the body politic should be bled to the extent of furnishing a life current to these carcases which never should have been created?

Mr. WHITMORE. If the fact were not that the rates and fares in this country were lower than in any other country I think that would be a fair inquiry; but the fact is that there is better accommodation here and for less money than in any other country.

Senator BLAIR. Can you think of any real remedy but the universal combination of all the roads in one—their consolidation—and then a reasonable distribution of charges over the entire surface of the country that is supplied with transportation by the entire body of combined roads.

Mr. WHITMORE. I think not.

Senator BLAIR. It seems to me there is no other way.

Mr. WHITMORE. No, sir.

Senator BLAIR. That comes very nearly being socialism, does it not?

Mr. WHITMORE. Yes, sir.

Senator REAGAN. I believe I understood you to say that you thought it for the interests of the railroads that a pool be established—that it would be advantageous to the railroads.

Mr. WHITMORE. Yes, and advantageous to the public also, I think.

Senator REAGAN. Are you familiar with the effect of pooling, as it has been carried on from year to year for the last eight or ten years, by the trunk lines?

Mr. WHITMORE. I can not say that I am, because our interests have been so small, compared with the very much larger interests which were concerned in the pooling question.

Senator REAGAN. Do you know enough about it to answer the question whether pooling has not been disastrous, both to the railroads and the people?

Mr. WHITMORE. I do not think the pool was, but the situation was not so much improved before the interstate law went into effect as it is now with the provision for the publication of rates.

Senator REAGAN. Is there any reason to believe that men will act in any better faith in keeping their contracts now than they did before the act was passed?

Mr. WHITMORE. I think that they are acting better now than before.

Senator REAGAN. I mean independently of the law; if you give them the right to pool, would they act in any better faith than before the law was enacted?

Mr. WHITMORE. They would, because this law provides for it. I do not think human nature has improved though.

Senator REAGAN. Suppose we allow the railroads to form a pool, what protection have the people against their making unjust and unreasonable exactions?

Mr. WHITMORE. Well, the Mississippi River and the Erie Canal are two enormous regulators, beside the immense railroad competition there is.

Senator REAGAN. The Erie Canal would be a regulator during the summer and fall.

Mr. WHITMORE. And largely through the winter, because there is such an enormous carriage in the summer for use in winter.

Senator REAGAN. Do you know the proportion of freight carried between New York and the lakes with respect to that carried by the railroad and that carried by the canal?

Mr. WHITMORE. I do not.

Senator REAGAN. Is not the proportion infinitely greater by the railroad than by the canal?

Mr. WHITMORE. It is a good deal larger, but the canal carries enormously.

Senator REAGAN. What is your judgment as to what would be the interest of the general public in the freight transported and the interest of the road in it; that is to say, the difference between the value of the product and the cost of its transportation?

Mr. WHITMORE. What is it now, do you say?

Senator REAGAN. At any time. What is generally the difference between the value of the products and the cost of transportation?

Mr. WHITMORE. I could not say exactly. Take corn worth 50 cents a bushel and it would come down from Chicago for 10 cents a bushel.

Senator REAGAN. In that case it would be as four to one.

Mr. WHITMORE. It would be one-fifth.

Senator REAGAN. Are not the four-fifths fully as much entitled to the protection of the law as the one-fifth interest?

Mr. WHITMORE. Yes; I should say so, decidedly.

Senator REAGAN. Do you not understand that the purpose of preventing pooling is to prevent monopoly and to prevent any unrestricted exactions by the companies?

Mr. WHITMORE. Yes; but I would make all such pooling subject to the action of the Interstate Commerce Commission. It should all be discussed with them, and then I think such increases could be made in the revenues of the different companies as would keep their property in good order and without hurting the shipments at all. It can not be in favor of commerce to restrict shipments.

Senator REAGAN. You think that if pooling were permitted it ought to be under the sanction of the Commission and the law?

Mr. WHITMORE. Yes, sir.

Senator REAGAN. I do not know whether you stated the reason why you opposed the provision of the law in relation to the long and short haul.

Mr. WHITMORE. Because it does not work, under all circumstances, in the same way. It permits it so far as it reaches a high rate. I gave that instance before. If you make the rate $1 for 1,000 miles, according to that proviso you can make it $1.50 for 1,001 miles, but you can not make it $1.01 for 999 miles.

Senator REAGAN. Are you aware that there is a provision of law that requires rates to be reasonable?

Mr. WHITMORE. That I would leave in.

Senator REAGAN. Then, if you charge $1 for 1,000 miles and $1.50 for 1,001 miles, would not that be met by the provisions of the law which provide that the rates shall not be unreasonable?

Mr. WHITMORE. Yes, sir; I think it would.

Senator REAGAN. Is there any reason except water competition that justifies the charging of less in any case for a longer haul than a shorter haul?

Mr. WHITMORE. I think there may be, but I am so unacquainted with the circumstances that I would rather not say.

STATEMENT OF C. S. MELLEN.

Mr. C. S. MELLEN, traffic manager of the Union Pacific Railway Company, appeared.

The CHAIRMAN. State with what road you are connected and your relations to it.

Mr. MELLEN. I am connected with the Union Pacific, and am its traffic manager.

The CHAIRMAN. I will say to the committee that I asked Mr. Adams to have the traffic manager of the Union Pacific here. He would probably usually be at Omaha or at the other end of the road, and Mr. Adams politely complied with our request.

Now, Mr. Mellen, you have heard the resolution read this morning, and doubtless heard the discussion which has taken place here, and I wish you would, in your own way, give us your ideas with respect to the matter under consideration.

Mr. MELLEN. The competition that the Union Pacific feels in connection with the Canadian lines is, of course, with respect to transcontinental traffic. That traffic is regulated by agreements between the roads through an association known as the Transcontinental Association. The Canadian Pacific has, at different times, had differential rates allowed it in order to prevent demoralization of the tariffs of the association, and something over a year since was admitted as a member of the association, the differential rates allowed it being a condition precedent to its coming in.

The CHAIRMAN. You speak now particularly of the Canadian Pacific?

Mr. MELLEN. Yes, the Canadian Pacific. The competition of the Grand Trunk road is not a factor in which we are interested. That applies to lines east of Chicago and not the lines west of the Missouri River. I have in my hand a statement prepared by the Transcontinental Association which shows the percentage of San Francisco traffic to and from the Atlantic sea-board, which has been carried since February, 1888, by the Canadian Pacific Railway.

THE SAN FRANCISCO TRAFFIC.

The CHAIRMAN. From San Francisco to where?

Mr. MELLEN. Atlantic sea-board points like Boston, New York, Philadelphia, Baltimore, etc. I would like to hand this to the committee as it will show that the Canadian Pacific have been steadily increasing their amount of San Francisco business until to-day they are one of the largest transportation lines running between San Francisco and the

Atlantic sea-board. This statement shows the total business done by one single line. The total business would be 100 per cent.

Senator BLAIR. Between what dates?

Mr. MELLEN. From February to June 1888, they did $10\frac{48}{100}$ of the total San Francisco traffic, about 90 per cent. being done by the other transcontinental lines. From July to December, 1888, they did $11\frac{87}{100}$ of the total San Francisco traffic. In January 1889, they did $11\frac{38}{100}$ per cent. of the total San Francisco traffic, and in February, 1889, they did $25\frac{53}{100}$, in March $29\frac{49}{100}$, and in April $37\frac{77}{100}$, showing that that line to-day, or in the month of April, was carrying east-bound over $33\frac{1}{3}$ per cent. of all the transcontinental traffic between San Francisco and the Atlantic sea-board. I will hand you the statement in detail.

The statement is as follows:

Percentages of total San Francisco tonnage carried by Canadian Pacific Railway to and from the Territories noted.

[Per weekly statements issued by the chairman of the Transcontinental Association.]

Period.	East bound.			West bound.		
	To Atlantic sea-board.	To Buffalo and Pittsburgh.	To Chicago.	From Atlantic sea-board.	From Buffalo.	From Chicago.
February to June, 1888	10.48	.15	.83	1.93	2.09	2.20
July to December, 1888	11.87	2.43	5.38	5.55	6.11	3.66
January, 1889	11.38	39.69	15.11	4.72	12.49	2.70
February, 1889	25.23			4.06	10.07	7.32
March, 1889	29.49	5.73	3.52	7.63	6.65	3.40
April, 1889	37.77	26.70	13.90	8.06	7.67	6.07
Total	14.02	3.49	3.32	4.47	5.83	3.38

Differentials allowed Canadian Pacific Railway.

	1	2	3	4	5	A	B	C	D	E
Atlantic sea-board	40	35	25	20	20	15	15	12	10	7½
Buffalo and Pittsburgh	32	27	23	18	18	14	14	11	9	7
Chicago	25	21	17	14	14	11	11	9	7	7

Senator GORMAN. The Canadian Pacific comes in competition with the Union Pacific by a steam-ship line plying between San Francisco and Puget Sound?

Mr. MELLEN. Yes, sir.

Senator GORMAN. Who owns that steam-ship company?

Mr. MELLEN. It is owned by American parties.

DIFFERENTIALS ALLOWED THE CANADIAN PACIFIC.

The CHAIRMAN. What have you to say in explanation of the rapid increase of tonnage carried over the Canadian Pacific?

Mr. MELLEN. I think it is owing to the differentials allowed the Canadian Pacific being too large.

The CHAIRMAN. The differentials allowed it by the American roads?

Mr. MELLEN. Yes, sir.

The CHAIRMAN. Why do the American roads allow such large differentials, then?

Mr. MELLEN. In order to preserve the existing tariffs.

Senator GORMAN. State the differentials in 1888 and 1889.

Mr. MELLEN. The present differential on first-class freight is 40 cents a hundred.

Senator GORMAN. What were the differentials in 1888?

Mr. MELLEN. In 1888, the differentials were 30 cents per hundred, 25 cents per hundred, 20 cents per hundred, 15 cents per hundred, and so on. Thirty cents per hundred as against 40 cents per hundred now, 20 cents as against 25 cents, and so on.

Senator BLAIR. You think that the differentials are now too large, and that that accounts for the large increase of traffic on the Canadian Pacific?

Mr. MELLEN. Yes, sir.

Senator BLAIR. Do you not mean that the differentials are not large enough?

Mr. MELLEN. No, the differentials allowed the Canadian Pacific make their rates less than the rates agreed upon by the Transcontinental Association, and they are enabled thereby to take an undue proportion of the traffic. The differential is too large. A differential is the rate a road is allowed to charge less than its competitors.

In this connection I wish to state that the Transcontinental Association is now on the verge of disruption by the notice of the withdrawal of the Southern Pacific unless these differentials allowed the Canadian Pacific can be reduced, and there is a meeting called for the 20th of July, a conference of all the lines interested, for the purpose of ascertaining whether the roads can preserve the association and the tariffs. Thus far there has been shown no intention of reducing the differentials. How the association can be maintained and these differentials be kept up is the question.

The CHAIRMAN. I intended to ask you this question a moment ago, but was interrupted. Why is it that the differentials were fixed so high?

Mr. MELLEN. There was a great deal of uncertainty, and the Canadian Pacific agreed to come into the association and be good citizens and behave themselves if the other roads would allow them to charge so much less than the published rates of the association. That was the best we could do. There was no sentiment about it.

The CHAIRMAN. What would be the effect if you did away with the association?

Mr. MELLEN. The Canadian Pacific would come in as a free lance, and make business unremunerative for us all.

The CHAIRMAN. You say they would make business unremunerative to all the roads?

Mr. MELLEN. Yes, sir. They can stand a loss better than we can, perhaps.

The CHAIRMAN. Why?

Mr. MELLEN. Because the Canadian Government backs them.

The CHAIRMAN. The Government helps them out whenever they need it?

Mr. MELLEN. It has helped them out once or twice.

The CHAIRMAN. What do you actually know about the Canadian Government assisting the Canadian Pacific road?

Mr. MELLEN. I know nothing but from common report.

The CHAIRMAN. Do you regard the Union Pacific as having lost very seriously by the competition of the Canadian Pacific?

Mr. MELLEN. The Union Pacific has been losing; it has not been losing very seriously, though.

The CHAIRMAN. Which road has lost the most?

Mr. MELLEN. The loss has been distributed generally over all the roads which form lines reaching from the 97th meridian to Pacific Coast terminals.

The CHAIRMAN. Suppose there was no law regulating the American roads, would there be a different situation, in your opinion?

Mr. MELLEN. There would, in all probability, be a pool or a division of traffic.

The CHAIRMAN. You would have to give the Canadian Pacific the lion's share in order to make any bargain with them.

Mr. MELLEN. Not the lion's share; but more than they were entitled to.

The CHAIRMAN. What difference would there be between giving them more than they were entitled to and what you are now doing?

Mr. MELLEN. I would not so much object to these differentials if I believed the Canadian Pacific did their business on them.

The CHAIRMAN. Do you think the Canadian Pacific does business at a still lower rate than they are allowed to by those differentials?

Mr. MELLEN. That is a difficult thing to prove, as any railroad man knows. I do not believe that all of the business the Canadian Pacific does is done on those differentials.

The CHAIRMAN. So that they become a free lance any way?

Mr. MELLEN. By this arrangement, however, we check the demoralization. We do not entirely prevent it; I do not believe we shall entirely prevent it until the millenium comes. It is checked. The differential system is a benefit to that extent.

The CHAIRMAN. The point I want to get at is whether there is any situation, any condition, pertaining to the National Government that embarrasses you gentlemen running American lines in this competition with the Canadian Pacific.

Mr. MELLEN. The Canadian Pacific has an advantage in the fact that it is not compelled to scale its intermediate rates to meet the rates it names on through freight, as the American lines are compelled to do, and thus takes it away from the American roads.

The CHAIRMAN. Do you suppose, as a matter of fact, that the Canadian Pacific charges more for half the distance from Montreal to San Francisco, or to Puget Sound, the terminus of their road, than they do for the whole distance from Montreal to San Francisco, or Puget Sound?

Mr. MELLEN. I think their rates from Boston to Vancouver are higher than their rates from Boston to San Francisco. I think that is a fact.

The CHAIRMAN. I suppose the Canadian tariffs are not on file.

Mr. MELLEN. They ought to be. I believe that the rates of the Canadian Pacific from their Eastern terminals to Puget Sound points are higher than their rates from Boston to San Francisco. As a matter of fact, the differentials that are granted the Canadian Pacific are given purely on San Francisco business.

The CHAIRMAN. If the Canadian Pacific comes into Tacoma, which is in the United States, and so is Boston, taking a shipment from Boston to some Puget Sound point, they are compelled to obey the interstate commerce act as to that shipment. Is not that your understanding?

Mr. MELLEN. I never knew just exactly how that was.

The CHAIRMAN. Has not the Interstate Commerce Commission decided that such shipments are under the interstate law?

Mr. MELLEN. I do not know as to that.

The CHAIRMAN. The fact is that Mr. Hickson, the general manager of the Grand Trunk Railroad, and Mr. Van Horne, president of the Canadian Pacific Railway, stated before our committee that in all business touching the United States they regarded the interstate commerce act as in force.

If you have any documents with you, Mr. Mellen, that you wish to insert you can do so.

Mr. MELLEN. I have merely brought some figures to show the committee that the Canadian Pacific is continually increasing the amount of American business it is doing in competition with our line, through the facilities they have, whereas we are under restrictions; and I assume that unless there is some change made that that increase will continue until eventually all this business will be absorbed by the Canadian Pacific.

The CHAIRMAN. Is it or not your opinion that with the aid given to the Canadian Pacific by the British Government that state of facts will prevail without reference to any law of the United States?

Mr. MELLEN. To an extent, but not to so great an extent.

The CHAIRMAN. Why not? Take your own business, for instance. You are traffic manager of the Union Pacific road.

Mr. MELLEN. Yes, sir.

EFFECT OF THE SHORT-HAUL PROVISION.

The CHAIRMAN. Do you find the interstate commerce act seriously interfering with your through business?

Mr. MELLEN. I do not think it does, except so far as the competition of the water lines and of the Canadian Pacific forces us to make lower rates. In making our transcontinental rates we do not observe the short-haul section of the interstate law. We understand that the law allows us to make these tariffs in the way we have. I do not think, altogether, that the Union Pacific has suffered very seriously by reason of the competition of the Canadian Pacific.

The CHAIRMAN. Is not that the same construction that is put upon it by the other roads?

Mr. MELLEN. Yes, sir.

The CHAIRMAN. I am unable to see, in view of that state of facts, how legislation affecting American interests or regulating American railroads interferes with your right to compete with the Canadian Pacific, just as though there was no law in existence.

Mr. MELLEN. We can not compete except at greater loss than the Canadian Pacific. If you construe the competition of the Canadian Pacific Railroad as authorizing a suspension of the long and short haul clause, I think we could take care of ourselves.

The CHAIRMAN. Have you not been doing that?

Mr. MELLEN. No, only so far as water competition is concerned. The Canadian Pacific comes in and takes the business at the same rates, less the agreed differentials which we have given them as an inducement for them not to go to war.

The CHAIRMAN. Have you not been operating on the theory that as to all water rates on through shipments the interstate commerce short-haul provision did not apply?

Mr. MELLEN. Yes, sir. Now, if the same theory should be applied to the Canadian Pacific that is applied to our traffic, so far as the scaling of intermediate rates is concerned, it would be a certain advantage to the American lines.

The CHAIRMAN. I do not know whether I understood your last remark or not. Please repeat it.

Mr. MELLEN. I say that if the Canadian Pacific were obliged every time it made a rate to a western point to scale all its intermediate rates, so that there should be no intermediate rates higher than the through rate, then there would be an advantage to the American lines.

The CHAIRMAN. Do you observe the long and short haul provision and decline to charge more for any intermediate shipments than you charge for the through shipment?

Mr. MELLEN. We do not. Here is the point. The Canadian Pacific takes business around by way of Vancouver into an eastern terminus. They get an advantage there, and we can not compete with them on that point. As the American lines go inland from either side of the continent their rates are not subject to water competition and become subject to the long and short haul provision of the interstate law. This is not the case with the Canadian Pacific and is an advantage to that company. Again, by its various connections by both water and rail it draws business from intermediate points in the American lines to it at various junction points and is not obliged to apply the rates named on such business to the various points on the line over which such business goes to destination although the same are intermediate and would under the law on an American line take the same or a lower rate.

The CHAIRMAN. When you go away from the water's edge you have to observe the long and short haul provision?

Mr. MELLEN. That is what I mean. They are not subject to the same disadvantage. More than all that, they can—I will not say they do—pay rebates and we can not find it out.

The CHAIRMAN. How is that with respect to your road?

Mr. MELLEN. You have access to everything we have. We are certainly under strict orders to observe the law in every way we can.

The CHAIRMAN. I am not intimating that there is any disposition to violate the law secretly.

Mr. MELLEN. The law is very difficult to apply in all cases, and it would be strange if we did not make slips once in a while.

BUSINESS ON THE UNION PACIFIC.

The CHAIRMAN. How much of a decrease has there been in your own transcontinental traffic within the last two or three years?

Mr. MELLEN. I am not prepared to say, but I should not think it is anything worth making any complaint about.

The CHAIRMAN. Nothing very serious?

Mr. MELLEN. No, sir. Our road is peculiarly situated with regard to this law. We are a short line, and the law, if it is a benefit to any line, is a benefit to the short line; and while we may lose some round-about business which we got before the passage of the interstate law, we probably gain in direct business, which more than offsets the loss on round-about business.

The CHAIRMAN. The business of your road is increasing, is it not?

Mr. MELLEN. The business of our road has been falling off during the early part of this year, but it is not owing to the operation of the interstate commerce law. There are some roads touching the Canadian Pacific and running down into the United States——

The CHAIRMAN. What are those roads?

Mr. MELLEN. The St. Paul, Minneapolis and Manitoba, and then

they connect at Duluth with the Duluth, South Shore and Atlantic, and the Sault Ste. Marie and Atlantic.

The CHAIRMAN. Does much traffic drop down from Winnipeg into the region of the Union Pacific at Omaha and other points along the line?

Mr. MELLEN. Nothing worthy of consideration. It more affects the business in Minnesota and Wisconsin.

The CHAIRMAN. Whatever does come and is switched off into that region and comes into the United States, does the Canadian Pacific carry it from the western point and bring it in at a less rate than any of our roads, the Northern Pacific, for instance, or your own road?

Mr. MELLEN. The differentials do not apply on that traffic, I believe.

The CHAIRMAN. What do you know about the Northern Pacific line in its competition with the Canadian Pacific?

Mr. MELLEN. I should assume—I have not personal knowledge—that its competition with the Canadian Pacific is greater than ours.

The CHAIRMAN. Do you mean that the Northern Pacific is suffering more than your road?

Mr. MELLEN. Yes, sir.

Senator BLAIR. Does the Northern Pacific take any traffic from San Francisco?

Mr. MELLEN. Yes, sir.

Senator BLAIR. It has steamers as well as the other lines?

Mr. MELLEN. Yes, sir.

PACIFIC STEAM-SHIP LINES.

The CHAIRMAN. What do you know about foreign shipments?

Mr. MELLEN. We have a large business from China and Japan, and are interested with the Southern Pacific in the ownership of one-half of a steam-ship line between San Francisco, Yokohama, and Hong-Kong.

The CHAIRMAN. How many steamers are there in that line?

Mr. MELLEN. The line is composed of four steam-ships.

The CHAIRMAN. And the Union Pacific gets all the traffic that comes over on that line of steamers?

Mr. MELLEN. By the action of the Canadian Pacific Steam-ship Line we have been compelled to divide the traffic. We used to do the whole of it, but now we do but 60 per cent. of it.

The CHAIRMAN. The Canadian Pacific has a line of steamers also?

Mr. MELLEN. Yes, sir. We assign to the Canadian Pacific vessels and sailing vessels 40 per cent. of the traffic.

The CHAIRMAN. How does your steam-ship line compare with the Canadian Pacific Steam-ship Line?

Mr. MELLEN. The lines are about the same.

The CHAIRMAN. Do you know whether the Canadian Pacific Steam-ship Line is subsidized?

Mr. MELLEN. I do not know from personal knowledge. I have understood that it was.

The CHAIRMAN. Your steam-ship line is not subsidized, is it?

Mr. MELLEN. No, sir.

The CHAIRMAN. The Canadian Pacific Steam-ship Line, as you understand it, gets a subsidy from the Canadian Government?

Mr. MELLEN. I have understood it was given a subsidy. I have never paid any attention to it.

The CHAIRMAN. Take this end of the line, do you get your due proportion, as you think, of the shipments of cotton goods and everything else that is produced here?

Mr. MELLEN. We do not get very much of the trans-Pacific business. It goes mostly by the Canadian Pacific.

The CHAIRMAN. Why is that?

Mr. MELLEN. I am unable to say. Manufacturing towns are located upon lines in connection with the Canadian Pacific, and the division of the through rate made by the Canadian Pacific would naturally lead those lines to be more partial to that line than to ours.

The CHAIRMAN. So that it is not altogether the interstate commerce law, in your judgment, that causes the shipments from these manufacturing towns to drift around to the Canadian Pacific?

Mr. MELLEN. I have never claimed that it was entirely the interstate commerce act. I think the act bears hard upon some of this business, though.

LEGISLATION SUGGESTED.

The CHAIRMAN. You think that the interstate commerce act imposes burdens upon you which put you at a disadvantage as compared with the Canadian roads. What suggestion have you to make with reference to changing the law?

Mr. MELLEN. I am not a practical legislator, but it would seem to me but mere justice to make the Canadian Pacific come fully under the interstate commerce law in all its business, as the American roads are compelled to do. It seems to me that Congress should require the Canadian Pacific to be placed under bonds, to produce its books and its officials before the Interstate Commerce Commission, as the American roads are now obliged to do, and to compel it, under heavy penalties, to observe the law. It seems to me that that is the only sensible thing to do—either do that, or relieve the burdens that are now placed upon the American lines in competition with the Canadian Pacific.

The CHAIRMAN. You think that would be a remedy preferable to a very radical change of the interstate commerce act itself?

Mr. MELLEN. I should personally deplore seeing the act repealed. I believe a worse condition would come to pass in case of the repeal of the law than even to have it with its present burdens on some of our railroads. I think the law has been of as much benefit to the company I represent, as it has been a burden.

The CHAIRMAN. And the proper thing to do is to bring the Canadian roads under it, do you think?

Mr. MELLEN. Either that or untie our hands so that we can meet their competition. It seems to me it is perfectly feasible to bring the Canadian Pacific to terms. If this were a matter between railroads, I think they would find a way of adjusting it, and I think the United States Government ought to.

Senator BLAIR. You think it is the right thing for the Government to so conduct this matter that the cost of transportation should become greater to the people than it now is.

Mr. MELLEN. It would not necessarily be so by either of the methods I suggest; certainly not by the second.

Senator BLAIR. If the result is not to be to give the railroads more than they are now getting, how can any action relieve them from their embarrassment?

Mr. MELLEN. If the result is to be that the railroads are to get more money, then of course that money has got to come out of the public; but I do not think that it is necessary that the railroads should get more money. They might get less and have this situation made just and equitable as between the parties.

Senator BLAIR. Do you know of any way of reducing the charges, or prices, of any article except by competition between those who have it to sell?

Mr. MELLEN. But you have competition in all this transcontinental traffic by water and by the American lines. It is not necessary that you tie the hands of the American lines and have them bound hand and foot for the benefit of a foreign line to take the business from them.

Senator BLAIR. Do you think that by applying the provisions of the interstate commerce act to the Canadian roads, the cost of transportation to the people of New England would not be increased?

Mr. MELLEN. Not necessarily.

Senator BLAIR. And would the competition be just as effective?

Mr. MELLEN. Just the same.

Senator BLAIR. Would it be just as effective to reduce the price of transportation then as it now is?

Mr. MELLEN. It is my impression that the effect of the interstate commerce act is to increase the rates charged by the Transcontinental Association.

Senator BLAIR. Even in this country?

Mr. MELLEN. Yes, and it would not be difficult for the roads in the association to increase their rates still further by increasing the differentials of the Canadian Pacific. The only point is this, they will get just as much more as the patience of the American railroads will enable them to.

LEGALIZING POOLING.

Senator BLAIR. Would the legalizing of pooling enable the roads to contract with each other as one solid mass and enable them to hold each other to this contract and then put up prices?

Mr. MELLEN. That is what they are doing to-day, except there is no binding force to the contract. That is what the Transcontinental Association aims at, that certain rates shall obtain on that traffic, and if that agreement is observed there are no lower rates charged by the Canadian Pacific than by any other transcontinental line except the lower rate it is allowed to charge by the agreement. That is an agreement for the maintenance of rates. There is no division of traffic. Now, if the Canadian Pacific is put under the law and pooling is legalized, I am in favor of the pool. I do not believe in a money pool; I believe in a division of traffic. I believe that when one line can demoralize business, instead of giving it money it would seem to be better to give it its proportion of business, and then it has to do some work for the money it gets. I do not believe in roads earning more money than they are entitled to and then being compelled to pay the surplus over to a road that does nothing.

Senator BLAIR. Is that anything else than a proposition to abolish competition between the railroads and to consolidate them in one mass according to law, so that one component part can enforce the law as against the whole?

Mr. MELLEN. That is the substance of it.

Senator BLAIR. Is not that the substance of what it would be to the public?

Mr. MELLEN. It would have the effect of making the rates stable.

Senator BLAIR. At the will of the railroads.

Mr. MELLEN. No; that depends upon the provisions of law by which you allow the pooling. I do not mean an unrestricted pool. My pool

is one that shall be filed and be approved by the Interstate Commerce Commission, and one that the railroads through the Commission can enforce on all members of the pool, and that penalties be provided against companies violating that pool the same as providing for penalties for violating the law as it stands to-day.

Senator BLAIR. Will you suggest the necessity of that kind of combination, if there is any?

Mr. MELLEN. There is a necessity, I suppose, to preserve property; to maintain stable and uniform rates, and to prevent demoralization in all classes of business which must necessarily ensue if the rates are unstable, as I believe thay always have been, and as I believe they are to-day more than before the passage of the interstate commerce act. I think it would accomplish what the act intended, except—well, I make no exception.

Senator BLAIR. And to reach this end it is necessary to have an agreement on the part of the Canadian Pacific, or otherwise a combination of American railroads whose traffic may be affected by the Canadian Pacific would be inoperative and void.

Mr. MELLEN. That is the fact. But I suggest an alternative proposition. If you are afraid the public will be imposed upon by bringing the Canadian Pacific under the provisions of the interstate commerce act, then release the American roads from the restricting provisions and let them meet this competition if they see fit, and the public will get the benefit. But if you tell the Canadian Pacific that they can come in here and do an unrestricted business, you tie up those you should protect for the benefit of those you should restrict, as it seems to me.

Senator BLAIR. Do you think there would be much sawing done if the Canadian Pacific and the American roads were authorized to combine? Would not the sawing then come between the railroad combination and the public?

Mr. MELLEN. A pool is not protection against the public, but protection against themselves. They, themselves, are their worst enemies. You establish just and reasonable rates to-day and these tariffs are filed with the Interstate Commerce Commission. Now, if you enforce those rates on the part of the American lines and do not enforce them on their competitor who is out of your jurisdiction, you see how inequitable the position is in which the American roads are placed. The objection you make to a combination should be to their tariffs when filed. There is then time to correct them if they are not just and reasonable. If they are just and reasonable then all should be made to comply with them.

Senator BLAIR. You must catch your hare before you cook him.

Mr. MELLEN. That is the rule generally, I believe.

Senator BLAIR. And this hare is in a country where we have no place to hunt him.

Mr. MELLEN. I think if you watch him when he crosses the American line you can catch him.

Senator BLAIR. But when he comes over the line the American public feed on him, and the proposition is that the American public shall have no chance to feed on this Canadian hare when he crosses the line.

Mr. MELLEN. If the laws which the American Government pass for the government of their own corporations are just and equitable it is not necessary to go outside of their borders for protection. They have a right to establish just and fair rates, and if they are not just and fair rates they are not dealing fairly with their own people.

Senator BLAIR. You think it just and reasonable that an existing corporation, simply because it is an American corporation, shall be allowed to so do business with an American public for all time and all parts of the American Republic as that that road shall make money?

Mr. MELLEN. I do not consider that the question of making money has anything to do with this question at all. You prescribe a rule that the American railroads shall do business under certain rules and restrictions. You prescribe that when they make what they consider just and reasonable tariffs they shall file them with the Commission, which has jurisdiction to examine them and say whether they are just and reasonable. The fact that no question is raised against a tariff filed is proof that the tariff is just and reasonable. If the tariff lies there in the hands of the Commission without objection it is a tariff that all should abide by, and you then get from foreign and American competitors what you require of them.

Senator BLAIR. Do you understand that the making of a tariff by a railroad company and filing it with the Interstate Commerce Commission constitutes an estoppel to the Government or the American people ever objecting to any American citizen obtaining transportation in any other direction at a cheaper rate?

Mr. MELLEN. You ask me does it constitute an estoppel against an American citizen getting transportation in any other direction at a cheaper rate. I say that if he obtains his transportation from an American road at a cheaper rate than the regular rate, you imprison him, whereas if he gets it from an English road he is all right and has something to feed on.

Senator BLAIR. I do not understand it so.

Mr. MELLEN. The other party can make a secret cut at any time. He can make it on the moment, and we have got to give a certain length of time before the change can go into effect, and in the meantime the business is gone.

Senator BLAIR. Do you think it would be a sufficient protection if the Canadian roads were not allowed to change their rate except upon the ten days' notice or three days' notice, as the case might be?

Mr. MELLEN. I think the Canadian road ought to do all that its competitors on this side are required to do.

Senator BLAIR. You are assuming that restrictions are not imposed where we have no power whatever to impose them.

Mr. MELLEN. No.

Senator BLAIR. We have no question that if Canada were a part of our own territory this law would apply there.

Mr. MELLEN. Then the American public would have nothing to feed upon and would have no protection at all.

Senator BLAIR. Do you consider that this interstate commerce law is a provision of recent creation?

Mr. MELLEN. Yes, sir.

Senator BLAIR. Well, there is a vested right in the New England people that they had prior to the passage of this act.

Mr. MELLEN. I will ask you if the New England people have any vested right to any lower rates that are not enjoyed by other people in this country? Have the New England people any right to go to the Canadian roads and say that they have a right to manipulate their rates when people in other parts of the country have not the same privilege? Have the manufacturers of New England rights that manufacturers in any other part of this country have not?

Senator BLAIR. The answer to your question is that the people of

New England are entitled to whatever railroad or geographical rights God has given them, and are entitled to any advantage brought about by their own industry on the soil where they live. The Union Pacific is a railroad chartered by the American people from the Missouri River to the Pacific Ocean. It is 2,000 miles from its eastern terminus to New England. Is it exactly fair for the Union Pacific Railroad, which is two or three thousand miles away from us at its nearest eastern point, to come here, where my father and grandfather toiled and developed New England, who are the bone and sinew of its soil, and say that the people of New England shall give you a profit on the business as long as the sun shines and the water runs, rather than take advantage of a geographical situation and a country west of us of vast resources; and are we to be legislated out of our advantages, such as they are?

Mr. MELLEN. I should have to say in answer to that that the New England people are entitled to any rates that they can gain in any way, but I think also where a railroad is established by a foreign government, as a military road, largely subsidized, which has no prospect of paying its interest on the business it gets in the country which it traverses, that that railroad should not have advantages to compete in any portion of the United States with American corporations, where this Government has taxed its people to build the Union Pacific, and who are holding the Union Pacific to an accounting for every dollar it owes. I think those people should give their business to their own roads and not contribute to maintain foreigners at the cost of their own enterprises.

Senator BLAIR. But the way in which you propose the New England people shall get pay for the debts you owe is that they shall pay higher rates for all future time.

Mr. MELLEN. That is an assumption that nothing I have said warrants. It does not necessarily follow that if you put the Canadian Pacific road on the same basis as the American roads that it will increase the rates of foreign freight. It is a matter in which a great many roads have an interest and all of them are to be consulted. You have a complete remedy in the fact that if the tariff established is not a reasonable one it may be overthrown at any moment by your action.

Senator BLAIR. You say that we should require as a condition precedent to the Canadian Pacific doing any business at all in this country that it shall conform to the interstate commerce law. You admit necessarily from the fact that we are outside of that political jurisdiction that we can do nothing more than impose by our laws conditions that they shall comply with in order that they may do business at all with us. If they do not see fit to comply with those conditions you say that by some means we in New England shall be put to the loss of transportation facilities in which we feel that we have a vested right. Are you right or am I right in saying that your proposition is that we shall so conduct our business by a law of the land that we will lose these Canadian facilities unless these foreign roads choose to conform to these conditions?

Mr. MELLEN. I gave you an alternative proposition. You try to put me in a position where I am going to force the people to pay more money. I am not going there. It is immaterial to me which proposition is adopted so long as the law is applied to all impartially, or else leave the American roads free to meet the competition of outside roads.

Senator BLAIR. Take it in that way, and relieve the American roads from the provisions of the interstate commerce law? Is not that equivalent to requesting a repeal of the law?

Mr. MELLEN. If your law is unjust it should be repealed.

Senator BLAIR. That is not the question. Is not the proposition that you advance equivalent to a request for the repeal of the law? To illustrate why I ask the question, suppose along this wide range of country where the transportation is done by the Baltimore and Ohio, the Erie, the New York Central, and lines that connect with the West, you release those lines which are competing with the Canadian lines from the operation of the interstate commerce law, when said lines are in immediate competition with the roads passing easterly and southerly of them, does it not follow that if you release any American railroad from the operation of the law that you also release the Canadian lines?

Mr. MELLEN. I say release all or tie up all. It is not fair to tie a man up and allow an outsider to punish him at his will.

Senator BLAIR. I am not entering into any controversy with you any more than to get at your ideas. We are in quest of knowledge on this subject. I do not know what my own opinion is on these questions. The New England manufacturers want the lowest rates they can get, no matter at what cost, and you want the highest rates that you can get, or the highest rates that the traffic will bear?

Mr. MELLEN. We are subject to restrictions to which the Canadian lines are not subject. There is no limit to how low a rate may go.

Senator BLAIR. If the American people release the Pacific roads of their indebtedness to the public, would the Pacific roads afford more reasonable fares and freights?

Mr. MELLEN. We are ready to accept that favor whenever you are ready to grant it.

Senator HARRIS. I understood you to recommend legalized pooling based upon the division of traffic; in that event the pool would distribute the traffic between the various parties, would it not?

Mr. MELLEN. It would in case the public were not disposed to favor shipment over the weak or roundabout road that had a right to compete for the business, or else it would be adjudged that the weaker road was entitled to a certain proportion of the traffic, and it could be arranged by the adoption of a differential rate that would be sufficient to induce the shipment in the proper direction. In other words, I propose to make the roads do the work for the money they get, and not get the money as under the old pool for rendering no service whatever.

Senator HARRIS. Take the case of one of the parties to the pool that failed to get its due proportion of the traffic, then under such pooling contract the pool, by some agency of its own, will have to award to it a certain percentage of the carriage.

Mr. MELLEN. It could be done by allowing the road short in its percentage of traffic a differential rate that would draw to it the amount of percentage it was short, and then each road would absolutely do the amount of work required of it to earn the money assigned to it.

Senator HARRIS. Do you not now in the fixing of your rates and in your conferences allow certain rates that are satisfactory to the various competing companies?

Mr. MELLEN. We attempt to, but we do not succeed very well. What we need is a division of traffic. What we really need is what is commonly called a pool, so legalized that the roads that enter that pool can depend upon their competitors to observe it, and in case of failure to observe it that there be penalties imposed which will be sufficient to make all keep in line. A pool under the auspices of the Interstate Commerce Commission, or any other commission that may be thought better, would be the thing desirable, so that in case of any road joining

the pool and violating its provisions, it may be sufficiently punished. I want to feel that my competitors are bound by their contract, and if I discover that any of them are violating the agreement they will be dealt with in a manner that will prevent them from acting in bad faith a second time. Now we enter into agreements that result in demoralization when there is a violation of the contract, and after this demoralization continues for a while we get together again and stop it for a time. My idea is to punish the party who makes the break in such manner that he will not violate the contract a second time.

Senator HARRIS. And you are not in favor of a pool that will pay money to the carrier which performs no service?

Mr. MELLEN. No, sir.

Senator HARRIS. And you would not favor a pool by which a shipper would not be able to determine for himself over what route he shall send his goods?

Mr. MELLEN. The kind of a pool that I want is one that will allow a differential which will induce the shipper to send his goods over the weaker or longer route.

Senator HARRIS. And you think the shipment over the weaker or longer route would be accomplished by the allowance of a differential rate?

Mr. MELLEN. Yes, sir.

THE TRADE WITH CHINA AND JAPAN.

Senator GORMAN. Suppose the Canadian Pacific and all other Canadian roads should be put under exactly the same conditions as the American roads as to the publication of tariffs, and so on, would you then be in a condition to compete with them for the trade of China and Japan?

Mr. MELLEN. I do not think it would seriously affect the China and Japan rates. The steam-ship lines on the ocean are practically parties to an agreement for a division of the traffic at the present time.

Senator GORMAN. Can you give us the distance by the steam-ship line from San Francisco to Yokohama?

Mr. MELLEN. No, sir.

Senator GORMAN. Can you give the distance from San Francisco to New York and Boston approximately?

Mr. MELLEN. It is approximately 1,865 miles to the Missouri River, and about 1,600 miles from the Missouri River to New York; in round numbers, 3,500 miles.

Senator GORMAN. When you reach New York you are dependent upon whatever foreign steamers you can pick up?

Mr. MELLEN. Yes, sir.

Senator GORMAN. It has been testified before this committee that the Canadian Pacific has a line of steam-ships running between Vancouver and China and Japan subsidized to the extent of $250,000 per annum, and that their distance to St. John is very little greater than yours, and then that they have a line of steam-ships subsidized to about an equal amount running from St. John to Liverpool. Now, with a subsidized railroad and subsidized steam-ship lines at each end of the line of road, how is it possible for the American roads to compete with them in the traffic referred to?

Mr. MELLEN. With an arbitrary tariff established at just a slight margin above the cost, it would be impossible for the American line to compete with the foreign line having a subsidy. But if a pooling ar-

rangement were made there unquestionably would be an agreement between those roads establishing tariffs and dividing the traffic so that each would get a fair rate, and the regulation of these rates would come from the competition via the Suez Canal to Liverpool. The rates across this continent are affected by the rates via the Suez Canal to the same points, and the rates will always be sufficiently low by that route to prevent any extortionate rate by the routes via this continent. The Canadian Pacific will want to earn as much money as it can and they would be glad to enter into a combination to distribute that traffic over the American lines and afford remunerative rates to all.

Senator GORMAN. You think, then, that the amount of traffic they derive from our territory is sufficient to induce them to enter into an arrangement of that kind?

Mr. MELLEN. I have no doubt of it.

Senator GORMAN. About what is the percentage now?

Mr. MELLEN. I think the Northern Pacific will draw about 12 per cent. to Tacoma. I think there will be about 27 per cent. go by way of Vancouver, and 60 per cent. go by way of San Francisco. That business is reckoned as business going to points in this country.

Senator GORMAN. Would they submit to a division of the traffic going over their line through Canada?

Mr. MELLEN. They would for this reason, if they do not our people would charter clipper ships and do the business at a loss. If we were as free as they are we would pursue such a policy as that we should have a fair share of the traffic or haul it at unremunerative rates, just as they did until we granted these differential rates that they now have.

Senator GORMAN. So, in your opinion, if we enforce the same conditions on the Canadian Pacific as exist with respect to the American roads, you have no fear of them, notwithstanding their subsidized lines of steam-ships both on the Pacific and Atlantic.

Mr. MELLEN. It does not make any more difference than it does that the Union Pacific is capitalized at more than cost. Generally all fixed charges of a railroad have nothing to do with the making of a rate. We are fortunately situated and can do things that other roads can not do. We would take the business at the same rates that they do.

Senator GORMAN. Reverse the position. Suppose conditions such as you suggest could not be applied, and matters go on as they are to-day, with the Canadian roads free and your hands tied, what then will be the effect of the competition of the Canadian Pacific upon the through trade?

Mr. MELLEN. The Canadian Pacific will gradually draw the traffic from us until they get an undue proportion. The railroads can safely be left to themselves to determine what is fair as between them. What we need is a law enforcing these agreements that are entered into by the railroads and applying penalties to make the roads live up to the agreements when once made, and there should, perhaps, be supervision of the agreements before they go into effect.

Senator GORMAN. To see whether the rates are fair?

Mr. MELLEN. Yes, sir.

CHANGES IN RATES.

Senator GORMAN. And when a change is made in the rates it is only to be made with the consent of the Commission or whoever has the supervision of them?

Mr. MELLEN. Yes, sir; I do not think rates ought to be increased on even ten days' notice. I would not have a rate changed under thirty

days. A great many railroads get pretty warm some times, and do things that can be changed in ten days which they would not do if it required thirty days.

Senator GORMAN. Would not the effect of that be to stop improvements and block the energy of our people to some extent?

Mr. MELLEN. I do not think it would. I think that great trouble comes to the business of this country through the fact of these little breaks in rates. During November two new railroads opened into the city of Denver. They sought to make themselves popular by lowering rates, and rates went down very low. They went down legally, but they went down very low. Just before the rates went down the merchants of the city had stocked Denver with goods, and the lowering of the rates demoralized their prices; they lost a large amount of money, and dissatisfaction was caused from Chicago to Denver. Lowering of rates demoralizes business generally. I think if those roads had known that the rates which they made had to remain in force 30 days they would have hesitated before they lowered them. I would increase the time required before rates could be reduced.

Senator HARRIS. Would you make the time the same for increasing rates as for reducing them?

Mr. MELLEN. I see no reason why there should be any difference. I assume, under any condition of affairs, that as soon as the proper way can be found there will be a disposition to restrict the Canadian roads just as the American roads are restricted. The only question is, how soon will that be brought about; how long have the American roads got to suffer?

DIVISION OF BUSINESS WITH THE CANADIAN PACIFIC.

Senator GORMAN. It seems a little unnatural that you should divide San Francisco business with a line which ends on Puget Sound.

Mr. MELLEN. The Canadian Pacific have a steam-ship line. They make a rate from Montreal or from Boston to San Francisco. The long haul of the Canadian Pacific is entirely out of your control. They can pay a commission, or a rebate, or a salary, or whatever they may call it, by which the party shipping by their line will get a less rate than if he shipped from Montreal and Winnipeg to intermediate points on the same road. We have got to submit to it. The Northern Pacific does a business out of San Francisco. One of the most serious items of competition that we have between the Atlantic and the Pacific coast is the clipper-ship competition by way of Cape Horn.

The CHAIRMAN. From where?

Mr. MELLEN. From New York to San Francisco by way of the Horn.

Senator BLAIR. How many days does it take to go around by Cape Horn?

Mr. MELLEN. Ninety days.

Senator GORMAN. You divide business with the Canadian Pacific on the Sound?

Mr. MELLEN. The Canadian Pacific takes business at the Sound and all the way down to San Diego. They use the Pacific coast steam-ship line.

Senator GORMAN. How about west-bound business?

Mr. MELLEN. The Canadian Pacific does not do so much of the west-bound business. The competition of the Canadian Pacific has so far been felt most seriously on east-bound business.

Senator GORMAN. Have you any arrangement as to west-bound business?

Mr. MELLEN. No, sir.

RATES CUT BY THE CANADIAN LINES.

Senator GORMAN. Then I understand you to say that both East and West, owing to the fact that the Canadian Pacific is relieved from the operation of the interstate-commerce law, being a political or military road rather than a commercial one, it gets an undue proportion of the traffic to-day because of the conditions that you have named?

Mr. MELLEN. We think so. I am free to state, however, that we might endure the present situation if we saw any chance of relief; but the situation is growing worse. The Canadian Pacific is increasing its proportion of tonnage carried. When a road in the month of April will do 34 per cent. of the business going out of San Francisco, and when that road is such a road as you will see the Canadian Pacific is by looking on the map, it certainly looks as if something were wrong. I do not believe that business was ever done on the differentials which the association allows the Canadian Pacific. I believe there is a cut. I have no doubt of it.

Senator GORMAN. Would not the fact that the Canadian Pacific carried so large an amount of the business out of San Francisco be positive proof that there was a cut?

Mr. MELLEN. I do not believe there is a railroad man but who believes that there is a cut. It may be a concession on business that goes from San Francisco to Montreal. They might give a concession on Montreal business in the Dominion of Canada, and it would be wholly legal, and, at the same time, it might be used to induce the shipment of American goods over that line.

Senator GORMAN. Do you know of any case where a drawback has been given?

Mr. MELLEN. I have not absolute proof of it. I know pretty well the practices of the Canadian lines. I was connected, until a year ago, with the Boston and Lowell Railroad, which forms a connection with the Grand Trunk, and nine-tenths of the business of that road was taken on cut rates, particularly before the interstate commerce act went into effect.

Senator GORMAN. Now, if the suggestions that you make were carried out, do you believe that such an arrangement would increase the rates from New England to the Pacific?

Mr. MELLEN. I think just this about that, that the railroads would be disposed to get all they could. The railroads all want money. There is no sentiment about the railroad business. The railroads would get just as high a rate on that business as they thought it would bear. I believe that if any such plan were adopted that the tariffs should be scrutinized by the Commission, and should be passed upon as to whether they were reasonable, and if a raise in the rates could be made without damaging business, or, on the other hand, if the tariffs were too high, that the Commission should say so. I believe the railroads would comply without any objection. Business would be more stable under such an arrangement.

The CHAIRMAN. What is the difference in the length of the line of the Union Pacific and that of the Canadian Pacific between San Francisco and Boston?

Mr. MELLEN. That I can not tell you. I should assume the water and rail route to be the longer; the Canadian Pacific to be the longer.

The CHAIRMAN. You can put the correct distance in your statement.

Mr. MELLEN. All right; I will do so.

[The distance from Boston to San Francisco is as follows: Via Canadian Pacific Railway, 4,073 miles; via Union Pacific Railway, 3,214 miles.]

Senator REAGAN. Do you know whether the Southern Pacific has withdrawn from the Transcontinental Association?

Mr. MELLEN. They have given notice that unless the Canadian Pacific will consent to reduce the differentials now allowed it on San Francisco business one-half, they will withdraw from the association.

Senator REAGAN. The Northern Pacific has withdrawn from the association, has it not?

Mr. MELLEN. Yes, sir; to take effect on the 19th instant, and there is a meeting called for the 20th to consider the withdrawals of those roads.

Senator BLAIR. Is the stock of the Canadian Pacific on the market?

Mr. MELLEN. I have seen it quoted in New York at about 61 or 62.

Senator BLAIR. Is it increasing in value?

Mr. MELLEN. I think it is. I suppose the value of the stock is largely due to the Government guarantee of 2 per cent. dividends for several years.

RATES TO SAN FRANCISCO.

The CHAIRMAN. Can you give the rates of transportation on first, second, third, and fourth classes of freight on your road between San Francisco and Boston, and also what they were two or three years ago?

Mr. MELLEN. The rates from New York, Boston, Philadelphia, and Baltimore on first-class freight to San Francisco are $4.20 per hundred; on second-class, $3.70 per hundred; on third-class, $2.95 per hundred; on fourth-class, $2.30 per hundred, and on fifth-class, $2 per hundred. Then in car lots the rates are: class A, $2 per hundred; class B, $1.80 per hundred; class C, $1.45 per hundred; class D, $1.30 per hundred, and class E, $1.20 per hundred. Now the Canadian Pacific is allowed to reduce those rates to the amount of the differential named on the sheet I gave you.

Senator HARRIS. Are the present rates higher or lower, if you remember, than they were prior to the passage of the interstate commerce act?

Mr. MELLEN. I was not connected with the Union Pacific at the time the act was passed. I understand the present rates have been raised within a year.

Senator GORMAN. Has the classification been changed?

Mr. MELLEN. Yes, sir; the classification is changed a little at every meeting of the association. The different parties file their complaints, and the classification is adjusted.

The CHAIRMAN. If you could give the rates year by year, beginning with the year before the passage of the interstate commerce act up to the present time, we would be glad to have it.

Mr. MELLEN. It would take some time to do it.

RATES ON WEST-BOUND TRAFFIC.

Senator HISCOCK. So far as west-bound freight is concerned, as I understand you to say, from New England, New York, and Pennsylvania, the same rates are charged by all the lines?

Mr. MELLEN. Yes, sir.

Senator HISCOCK. By the American trunk lines?

Mr. MELLEN. Yes, sir; by all the lines. They all charge the same rate.

Senator HISCOCK. If there is any section of our country which can get a cut on the route through Canada, because it is not under the interstate commerce law, it gets an undue advantage over sections of the country which can not avail themselves of Canadian transportation. Is that not true?

Mr. MELLEN. Under the interstate commerce bill, as it is now, New England, New York, Pennsylvania, and Maryland are on equal terms.

Senator BLAIR. Then there is no competition between the Canadian Pacific and these American lines for any business except that which lies in New England?

Mr. MELLEN. Oh, yes; there is a differential on all that business.

Senator BLAIR. Then, if the Canadian Pacific cuts for the benefit of New England it cuts for the benefit of the rest of the country?

Mr. MELLEN. It cuts for itself principally. New England is the point from which the Canadian Pacific draws particularly.

Senator BLAIR. I understood you to say, in answer to questions propounded by Senator Hiscock, that the Canadian Pacific could not reduce rates—could not cut rates for the benefit of New England. Is it not a fact, however, that the Canadian Pacific competes for business all along the line from Chicago east?

Mr. MELLEN. I referred to the question of the rates that were published. The rates from Boston, New York, Philadelphia, and Baltimore are the same. Those are the published rates. Now, when the Canadian Pacific comes it gets business just as near the Canadian frontier as it can. If the rate from Boston is the same as from Baltimore, the Canadian Pacific, to reach its own line, has to pay less to the American line to bring the freight to it from Boston than it has to pay to have freight brought to it from Baltimore. Therefore it has just that much more margin.

Senator BLAIR. So it does New England some good, whether it benefits other sections of the country or not.

Mr. MELLEN. Yes, sir.

Senator BLAIR. New England simply has the advantage of her geographical position.

Mr. MELLEN. Yes, sir.

Senator HISCOCK. The point I was pressing—and I do not understand you to change it at all—is that under the interstate commerce act all sections of our Atlantic coast are on equal terms.

Mr. MELLEN. Boston, New York, Philadelphia, and Baltimore are on the same basis of tariffs whether the traffic goes on the Canadian Pacific or on the American lines.

Senator HISCOCK. They are practically on the same basis so far as the West is concerned, and also so far as east-bound business is concerned.

Mr. MELLEN. Yes, sir.

Senator HISCOCK. So that there is nothing in the geography of either section of the country that would justify any discrimination in favor of one section as against another?

Mr. MELLEN. Not the slightest. It is the intention of the railroads to adjust their traffic so that there shall be no discrimination.

Senator GORMAN. Has the interstate commerce law interfered with that intention at all?

Mr. MELLEN. No, sir.

Senator BLAIR. What is the tariff of the Transcontinental Association on any given commodity or class of freight from California to New York for consumption in New York.

Mr. MELLEN. East-bound, anything that is enumerated under the head of "first class" would be transported from San Francisco to New York at $4.20, and it would be transported by all the roads which are embraced in the Transcontinental Association at the same rate. It would be transported to Philadelphia or New York or Baltimore at the same rate.

Senator GORMAN. That would be the rate whether the freight transported would be consumed in New York or reshipped abroad.

Mr. MELLEN. We make no export rates.

The CHAIRMAN. That is all, Mr. Mellen. We are very much obliged to you.

If there are no further witnesses to be examined this evening the committee will stand adjourned until to-morrow at 10 o'clock.

At 4 o'clock and 50 minutes p. m. the committee adjourned until to-morrow at 10 o'clock a. m.

BOSTON, MASS., *July* 6, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

The CHAIRMAN. The expectation was that we should hear this morning a delegation from Portland. I have received a telegram stating that the gentlemen will not be ready to be heard before 12 o'clock. However, the committee is prepared to hear any gentleman from this city at this time. I do not know what Mr. Speare's wish is in the premises, but if he would like to be heard now we would be glad to listen to him.

Mr. SPEARE. I am prepared to go on.

The CHAIRMAN. As you are a business man in this city, and not representing a railroad, and as your examination necessarily differs from that of a railroad official, the committee would be glad to have you proceed in your own way to make your statement, subject to whatever questions members of the committee may deem proper to put to you at the conclusion of whatever you desire to say.

STATEMENT OF ALDEN SPEARE.

Mr. ALDEN SPEARE, president of the Chamber of Commerce, and representing various associations of Boston, appeared.

Mr. SPEARE. I would state, gentlemen, that I come here as president of the Chamber of Commerce, as chairman of the transportation committee of the Oil Trade Association, and as chairman of the Boston Executive Business Association. This latter organization is composed of the following bodies: Bay State Lumber Trade Association, Boston Board of Fire Underwriters, Boston Chamber of Commerce, Boston Coal Trade Association, Boston Druggists' Association, Boston Fish Bureau, Boston Fruit and Produce Exchange, Boston Grocers' Association, Boston Merchants' Association, Earthenware and Glass Trade Association, Boston Paper Trade Association, Drysalters' Club of New England, New England Shoe and Leather Association, New England Furniture Exchange, New England Metal Association, Oil Trade Association of

Boston, Paint and Oil Club of New England, The Master Builders' Association, or eighteen organizations in all.

I will first read you the resolutions which were adopted by these bodies:

Resolved, That for many years a considerable quantity of produce from the Western States has been carried through Canada to Boston, not only for home consumption, but also for export from the port of Boston, and a large amount of manufactured and imported goods has been sent from Boston to Canada, and through Canada to the Western States, much to the advantage of Boston and New England interests.

Resolved, That the route through Canada to and from Boston is geographically the natural route for many places of importance in the Western and Northwestern States.

Resolved, That for the long period during which business has been open to the merchants and manufacturers of Boston and New England by this channel, it has been carried on by the Canadian railway companies undertaking it in a fair and greatly advantageous manner.

Resolved, That a competitive route through Canada, independent of other trunk lines in America, has been of great benefit to the merchants, manufacturers, and the community generally of Boston and New England, as by that means any tendency that might otherwise have been to charge exorbitant rates has been held in check.

Resolved, That, by reason of this route being available for adoption by traders, it has also been a direct benefit to the port of Boston, from the fact that large shipments of Canadian produce have been exported through it, and imports for Canada made, which would not have been received had there been any restriction upon the free interchange of such business; and it is most desirable to lay before the Senate Committee this expression of opinion, in the hope that what has been, and is, of so much benefit to Boston and New England will be continued in the future.

These resolutions were unanimously adopted in the first instance by the Oil Trade Association, and referred to the Boston Executive Business Association, which discussed the same resolutions and unanimously adopted them, and appointed a committee which was instructed to appear before this Senate committee to oppose any elimination of the Canadian lines.

I will submit a few reasons why we would not have them eliminated.

RELATIONS OF THE CANADIAN LINES TO NEW ENGLAND.

New England has 8 per cent. of the population of the United States, and grows one-fourth of 1 per cent. of the wheat crop and one-half of 1 per cent. of the corn crop to feed 8 per cent. of the inhabitants of the United States; not enough to supply the inhabitants of Rhode Island alone, and we have to buy annually of and bring from other sections 550,000 tons of grain, 525,000 tons of flour, and $50,000,000 worth of meat for our own consumption. We grow but 4 per cent. of the wool crop of the country, but consume 50 per cent. of the entire clip and 55 per cent. of all consumed in the country. We grow not a pound of cotton, but consume annually 23 per cent. of the whole crop and 75 per cent. of all consumed in this country.

While New England has 31 per cent. of the water-power employed in industrial work, we also have 15 per cent. of steam power, and consume 5,250,000 tons of anthracite and 4,000,000 tons of bituminous coal, and we do not produce a pound of either, and, of course, buy of and transport from other sections.

The estimated value of American goods consumed in New England in 1888 was $310,000,000.

New England annually produces more than $200,000,000 in value of boots and shoes and leather, at least 50 per cent. of the production and consumption of the United States.

Such being our inability to supply our own wants within our own borders, the value to us of reasonable freight rates must be apparent to every one, and the absolute necessity in order that we may retain such

reasonable rates that we should retain every line of transportation that we now have to and from other sections of our country that furnish us our needed supplies and take our manufactured products. If we take into consideration the fact that New England takes 60 per cent. of the freight brought from the West by the New York Central to the Hudson River, and doubtless as large a per cent. of that brought by the West Shore, it is no matter of surprise that the New York Central and the Pennsylvania Railroad Company should desire to eliminate the Canadian roads from carrying any part of our products and having any voice in making rates. But we believe the facilities furnished by the Canadian lines under existing regulations for the shipment of merchandise in bond to and from and across some parts of either Canada or the United States, with no more interference with the flow of commerce than if we were one country, is of vital importance to New England, and a manifest advantage to every section of our country that furnishes New England any of its supplies or consumes any of our products, and to deprive us of these facilities would be a gross injustice, especially to those industries which have been created and are fostered by these facilities, and which can not be supplied on equally advantageous terms by any existing American line.

What advantages have come to New England from these Canadian roads, and the desirability of their continuance, will be stated for the manufacturers of New England by the Arkwright Club; for the shoe and leather dealers by Hon. William Claflin, W. B. Rice, and F. F. Emory; for the importers by Jerome Jones and Samuel Johnson; for the steamship lines by William H. Lincoln; for the wool trade and fishing interests by chosen representatives; for the Chamber of Commerce by Mr. Goodwin and myself.

Resolutions will be presented from various towns and cities in New England, and delegations from various towns and cities will appear before the committee.

CHANGES EFFECTED BY THE CANADIAN LINES.

In the first place, gentlemen, allow me, in a rambling way, to state some of the facts as they existed before the changes which have come about since the establishment of these Canadian lines, and in the light of past experience what we fear would be the result were these lines eliminated. Prior to the existence of the Canadian lines we had, of course, only the New York Central and the Boston and Albany running into Boston. The rates were high. It will be told you by one of our number later on how the first opening was made by the Grand Trunk Railway and the resulting changes. Some years ago the rate on grain in the lowest class was 50 cents per hundred pounds. Now the rate on the same article to New York is 25 cents and to Boston 30 cents. We have tried to get this rate reduced. The rates to points on the Atlantic coast, commencing at Baltimore, are precisely the same as to Boston, but the minute you come to anything consumed in New England and coming from Chicago or anywhere this side of Chicago, we have to pay this arbitrary of 5 cents over the New York rate. We brought a complaint against the Lake Shore and Michigan Southern Railway Company and against the New York Central and Hudson River Railroad Company on account of this arbitrary, and in the hearing of the case before the Interstate Commerce Commission the railroads named admitted that they were taking car-loads of flour from Chicago and landing them at Buffalo in the same train that car-loads of flour destined

for Boston were drawn, and that the car-load of flour coming to Boston for local consumption would have to pay $10.48 more to the Lake Shore Railroad Company than the car going to New York pays. You will understand that it is a car-load of precisely the same weight traveling in the same train and hauled over the same road and over the same distance. Nevertheless we were given no relief. The difference in distance is about 5 per cent., or 56 miles more to Boston than to New York.

A few years since, when the Hoosac Tunnel was opened, the Fitchburg line acquired it, and opened what is called the Hoosac Tunnel Line, which opened up a line of towns on its road and connections which had not before that received the advantage of Boston rates, and if it had not been for the building of that tunnel and this arrangement through the Grand Trunk and the Lackawanna and Western, that large number of towns would have been left without the Boston rate.

When the interstate commerce law first went into effect the Trunk Line Association notified the various lines that they must not give any reduced Boston rates beyond Boston. A little later the Canadian Pacific perfected its arrangements whereby it came in contact with the whole Boston and Maine system, and opened up, in connection with the Grand Trunk, seven or eight hundred towns in New England which became benefited by Boston rates, as well as towns in Canada. So that to-day goods can be shipped from the West by means of the two Canadian lines and their connections; also by the Red, White and Blue Line, and the Erie Despatch, and one or two other lines, to a vast number of towns in New England, to the great benefit of the people.

Mr. Mellen admitted here on yesterday that north of a line drawn through White River Junction there was great benefit derived by the existence of the Canadian lines. But we could draw the line at the Fitchburg Railroad, or, for that matter, take in the territory north of the Boston and Albany, and say that all that country is benefited by the Canadian lines.

Some allusion was made yesterday to the amount of tonnage carried by water as compared with the amount carried by rail. I have here the report of the Produce Exchange of New York, giving the statistics of the carriage for several years.

For the year 1887 there were brought to New York by canal 46,009,200 bushels of grain, and by all the railroads 50,775,235 bushels, nearly 50 per cent. of it, as you see, coming by water.

In the year 1880 all the railway lines that passed Detroit and through that city carried 3,000,000 tons, and 20,000,000 tons were carried by water. Buffalo received, in the year 1887, by water 102,000,000 bushels of grain, while New York, in the aggregate, received less than 150,000,000 bushels.

Now, New York has this advantage, that it is not at all under the interstate commerce law on freight originating in Buffalo and stopping in New York. Therefore on the 102,000,000 bushels of grain that arrived at Buffalo the New York Central could make any rate it chose, whether the grain was for home consumption or for export.

We in Boston have not a single mile of water communication, except by the ocean, and we are entirely dependent on the railways.

Some years since parties engaged in putting up fresh cured meats in this city found great difficulty in bringing their hogs from the West from the fact that the cars were irregular in size, in length, and in height, with no facilities for feeding the hogs. By an arrangement with the railways the shippers built all their own cars, and put on a sufficient

number to do the business and to give to the railroads entire train loads of hogs. The cars were carried for some years by the Canadian railways.

Afterwards an arrangement was made with the New York Central line and its connecting roads to carry them by that line. The change was not made on account of any change of rates—there was no difference in rates between the two systems of roads—but in the promise of sixty hours as against eighty or eighty five hours by the other roads. But in practice it was found that the sixty hours' time was never made, except in one or two trial trips, and the practical saving was only five or ten hours.

When this arrangement was made there was an agreement on the part of the railroads to pay wheelage upon the cars owned by the private parties. Within the last year and a half the parties owning the cars were notified that the railroads would pay no wheelage upon those cars, as the roads would buy their own cars.

The shippers then went back to the Canadian roads, which have carried out the original agreement, and they carry the cars to-day. The shippers were distinctly told that it was not the business of the New York Central Railroad to foster New England business, and that Chicago and New York were the two export ports of this country.

Now you can see, gentlemen, why we are jealous in New England. Every interest here is jealous for the continuance of these Canadian roads.

I have read with great care the testimony taken in New York, and I have also read statements of parties in Chicago. I find there is not a man but who says the Canadian roads have served him reasonably, honorably, and squarely; that he has had no rebates in any shape or kind, and does not believe anybody has. So far as my own knowledge goes, no man in Boston or New England receives any rebate from the Canadian railways, and we do not believe that the Canadian roads should be eliminated from being one of the elements to help us in our position.

REGULATION OF THE CANADIAN LINES.

The CHAIRMAN. Your statement is very instructive and a very valuable contribution. You seem to run upon the theory, however, that the Canadian roads are to be eliminated from any competition with the American roads. Suppose they were not so eliminated, but were placed under the same regulation, so far as possible, as our American roads?

Mr. SPEARE. Are they not to-day, sir?

The CHAIRMAN. While it is admitted that the Canadian roads are under the same regulation as to the specific traffic in which you are interested, yet it is the allegation of the American roads that the Canadian roads take advantage of the fact that they are not under the interstate law with respect to other business, and make up on their local business what they lose in the carrying trade from one side of this country to the other, under the operation of the interstate commerce act. If there was any further regulation or arrangement by which they would obey some such act as the interstate commerce act in all particulars, in their own country as well as in the United States, or with respect to commerce which touches the United States, do you think that such an arrangement would interfere with your interests here?

Mr. SPEARE. I should say not; but I should say in the next place that we have no right to interfere with the business of the Canadian

roads. Furthermore, I have never yet heard a statement that they did recoup on their own people.

The CHAIRMAN. I do not allege that they do. I am stating that that is the argument used by the American roads. Of course we have no right to interfere with their business in Canada, but at the same time we have the right to protect the business of our own people, and to say that the Canadian roads shall only do business in the United States on condition that they obey the law in their own business at home as well as in the United States. I suppose we would have the right to make that condition or keep them out. If they consented to accept those [illegible]s and continued in competition with our roads, you do not think [illegible]would suffer, do you?

Mr. SPEARE. No, sir.

The CHAIRMAN. I suppose there is no disposition on the part of anybody to build up a wall between the United States and Canada, so as to prevent their roads from coming into this country; but the general proposition is to see whether there is anything that can be done in the United States, or by the United States, that would simply put the Canadian roads, under certain regulations, on an equality with our own roads, which at present are under regulation. If that could be done, you do not think any serious damage would be done to New England or Boston?

Mr. SPEARE. No, sir; but I go back to my original proposition that I do not believe we have any right to ask them to.

The CHAIRMAN. What you want substantially is to let the Canadian roads alone. You think things are in pretty good shape now, and you w[illegible]ld like to see them stay so?

[illegible]r. SPEARE. Yes, sir. I see by the report of the Interstate Com[illegible]s Commission that the Canadian roads have been summoned before it (not so many times as the New York Central, of course) and have answered in a square way, and have obeyed the decisions of the Commission.

The CHAIRMAN. Mr. Hickson, the general manager of the Grand Trunk, testified, unqualifiedly, that his road was obeying the United States interstate commerce law in all business touching the United States, and produced circulars which he had given to the employés of his road showing instructions issued as to carrying out the provisions of the law. Mr. Van Horne, of the Canadian Pacific, testified to the same effect, substantially, as respects his road. At the same time our roads are complaining that the Canadian roads have an advantage which should be remedied in some way, from the fact that they are not under the regulations our roads are under. With which one of these Canadian lines do you do the larger business?

Mr. SPEARE. Our people do more business, so far as the West is concerned, with the Grand Trunk. So far as export business to Japan is concerned, of course they do more business with the Canadian Pacific.

The CHAIRMAN. You have understood, have you not, that the Canadian Pacific has been pretty largely subsidized by the Canadian Government from time to time or aided in its construction, and that some parts of it, or its connections—those portions in the United States—are getting a subsidy from year to year now, and that there is a steam-ship line from some point in Canada to Nova Scotia, which is also heavily subsidized? Do you apprehend any danger to your State or to this section of New England in the loss of business on account of that purpose to do business on their own soil?

Mr. SPEARE. I do not, for the reason that their route to Boston is

much shorter, and the division that they would have to give to the road from Newport to Boston is absolutely less than the cost of carrying freight to their port on the Atlantic, Halifax, or St. John.

Senator REAGAN. I did not understand your answer; please repeat it.

Mr. SPEARE. I do not believe it will, for the reason that their route to Boston is much shorter, and the proportion that they would have to give to the American road for carrying the business from Newport to Boston would be less than the absolute cost of their carrying the traffic from that point to their port on the Atlantic, Halifax, or St. John.

The CHAIRMAN. I have forgotten whether you stated the total value of the business done by the people represented in these organizations.

Mr. SPEARE. I did not.

The CHAIRMAN. Have you any idea of the amount?

Mr. SPEARE. I think Mr. Goodwin, who represents the Chamber of Commerce, will be able to give it to you.

Senator BLAIR. Suppose that private individuals, or any power, should come in with the capital and build a canal from Boston due west to the Pacific Ocean and make a water-way from one side of this country to the other, and offer to carry the freight of the whole country for nothing for all time, do you think that that manifest advantage to the people ought to be denied them in order that they should continue to pay and bear burdens for the purpose of taking care of American railroad interests?

Mr. SPEARE. Certainly not.

Senator BLAIR. Suppose a canal should be built from the Gulf of St. Lawrence to Vancouver, or to Puget Sound, all outside the territory of the United States, and offered free to the people of the United States for all time, are we to be denied the use of that canal and to be taxed forever simply to maintain the railroad interests of this country?

Mr. SPEARE. I do not think we would willingly stand it very long, sir.

Senator BLAIR. In what respect is there any equity in compelling the people of New England, or the people of any part of this country, to pay perpetually, or at all, higher freights and fares than they would otherwise have to pay in order to maintain American capital invested in private enterprises?

Mr. SPEARE. We do not think there is any justice in it.

Senator BLAIR. Is there any business that asks that protection except the railroads?

Mr. SPEARE. I know of none.

Senator BLAIR. That is all.

Senator GORMAN. Do I understand you to assert the principle that you would disregard American transportation interests if you could get your transportation by a foreign enterprise for less money?

Mr. SPEARE. I am not prepared to say, sir, that if there were an existing line through Canada that would carry my goods cheaper than the American roads that I would permit myself to be taxed to send the goods over an American line.

Senator GORMAN. Would you apply that principle to water carriage as well as rail?

Mr. SPEARE. Yes, sir; if the conditions were equal.

Senator GORMAN. Would you apply the same rule to our coastwise trade?

Mr. SPEARE. No, sir.

Senator GORMAN. Where is the distinction between the water carriers along the Atlantic coast and the railroad carriers across the continent?

Mr. SPEARE. It is too long and too broad a question for me to go into at this time, but I am clear that the coastwise trade is very important to the American people, and that we should not give that trade to any foreign country or corporation; but the reasons are of such a broad character that I do not care to go into the question at present.

Senator GORMAN. Would it be an unfair proposition to say to the Canadian Government, "We will permit your roads to enter into our trade, as we do now—continue the present state of things—provided you put your railroads under the same restrictions under which we have placed the American roads, by the passage of the interstate commerce law, with the additional requirement that you shall receive at the termini of your roads in Canada freight from American vessels touching at Canadian ports and bring that freight to Boston without discrimination, just as you are permitted to do in our American trade?" In other words, put the two systems upon an exact equality?

Mr. SPEARE. I understand they are so to-day under our law, sir.

Senator GORMAN. The Canadian roads claim that they are under the exact regulation so far as trade originating in the United States, brought through Canada, and then into the United States, at Boston, for instance, is concerned, but nobody pretends to claim that on local business the long and short haul clause of our law applies as it does on our American roads. Nobody claims that the Canadian roads will receive at Canadian ports fish from our American vessels and bring them through to Boston or New York on the Canadian lines. They exclude that trade. Now, if we were to require that the conditions should be precisely alike in Canada as in the United States, would that be an unfair proposition, in your judgment?

Mr. SPEARE. If I understand your question, the purport of it is this, that if at Port Huron, which is a Canadian port, an American vessel should bring grain destined to Boston, that the Canadian lines should take it from that vessel and bring it to Boston on precisely the same terms as they would for themselves?

Senator GORMAN. Yes, sir.

Mr. SPEARE. Well, that would compel them to do what the New York Central and the Baltimore and Ohio or any other road is not compelled to do; that is to say, to make its inland rate conform to some outside dictation. When grain is landed in the elevators at Buffalo, the New York Central can make its rate to New York City on that grain at any figure it chooses. The Canadian road can make its rate from Port Huron to Island Point at any figure it chooses, that being a local road. The interstate commerce law or the United States law does not apply to that haul.

Senator GORMAN. You are confining it to purely local business, which originates and terminates in the State of New York. I spoke of the through freight.

Mr. SPEARE. I so understood you.

Senator GORMAN. Taking all the conditions the American roads are under, I ask you the question whether it would be unfair to say to the Canadians, "If we permit you to engage in our American trade you must come under the same rules precisely as to local and through business as the American roads do, with the additional requirement that you shall receive freight from our fishing vessels at your terminals in Canada and transport it to Boston and other points in the United States without discrimination?

Mr. SPEARE. I will say as to the proposition with reference to goods coming from Port Huron or in that direction that at Port Huron or

Detroit or wherever the Canadian roads have a line constructed they take the goods on the same terms exactly as from an English vessel.

Senator GORMAN. I am speaking of your New England fishing vessels entering St. John and running into the St. Lawrence. The Canadian roads will not bring a pound of fish and land it at any American port as matters stand to-day. You can not ship a ton of goods without going through the custom-house; whereas on the other hand we permit them to carry through our territory without any discrimination whatever.

Mr. SPEARE. I was not aware that such a state of facts existed. I was under the impression that you could ship through in bond from St. John to Boston. The fish matter is a question of dispute, and they will not bring our fish for some reason that seems satisfactory to themselves.

Senator GORMAN. Will it do to apply to the Canadian roads the exact rules we apply to our own roads, or if we give the Canadian lines the privileges they now enjoy should we not exact for our own goods coming this way the same privileges?

Mr. SPEARE. I think the privileges should be entirely reciprocal. Whatever we ask of them we should be willing to give them.

SHIPMENTS FROM NEW ENGLAND TO THE WEST.

Senator REAGAN. I believe it is declared in the resolutions which have been presented here that the roads passing through Canada comprise a natural channel for the trade of Boston.

Mr. SPEARE. Yes; Boston and New England.

Senater REAGAN. Can you tell me to what part of the West or Northwest the resolutions particularly relate?

Mr. SPEARE. We have reference to Chicago, Detroit, St. Paul, Minneapolis, and the whole of the Northwest—Washington Territory, and through that country.

Senator REAGAN. Have you any data with you which would enable you to give the distance by the roads running through the territory of the United States and those going through Canadian territory and touching Toledo, Detroit, Chicago, St. Paul and Minneapolis?

Mr. SPEARE. I have not the data with me.

Senator REAGAN. Are you not aware that the roads through Canada to these points are much longer than the roads reaching the same points running through the United States?

Mr. SPEARE. Much longer in some instances from Boston to some of those points, but to Minneapolis and to all those other points Boston itself is just about the same distance as from New York.

Senator REAGAN. For instance, in shipping grain or flour from Minneapolis to St. Paul you bring it through Chicago, do you not?

Mr. SPEARE. No, sir.

Senator REAGAN. By what route does it come?

Mr. SPEARE. By the "Soo route" it is called, coming through Canada.

Senator REAGAN. That is the recently constructed route?

Mr. SPEARE. Yes, sir.

Senator REAGAN. Can you give us the distance from Minneapolis to Boston via Sault St. Marie, and the distance from Minneapolis to Boston via Chicago?

Mr. SPEARE. I can not to-day, but will give it to you hereafter, if you desire.

Senator REAGAN. Are you aware that the shortest route by rail from

Chicago to Boston through Canada is 292 miles longer than the shortest route south of the lakes.

Mr. SPEARE. No, sir.

Senator REAGAN. That the American routes are much shorter than the Canadian routes?

Mr. SPEARE. No, sir; I was not aware of that difference in distance. The flour and grain coming from Minneapolis and St. Paul to Boston does not come that long distance via Chicago.

The CHAIRMAN. Do you mean, Senator, from Chicago or from St. Paul?

Senator REAGAN. I mean from Chicago, because I do not know exactly the distance from St. Paul. I wanted to ask and did ask whether the route through Canada from Chicago to Boston was not 292 miles longer than the route from Chicago to Boston through the territory of the United States. I believe Mr. Speare stated that he is not prepared to say how much difference there is between the line from St. Paul through Canada and the line from St. Paul through the United States.

Mr. SPEARE. No, sir.

Senator REAGAN. Is it true that the route from St. Paul and Minneapolis through Canada to Boston is longer than the route between the same points through the United States.

Mr. SPEARE. I am sure it is shorter through Canada than via Chicago.

Senator REAGAN. Are not the roads through this country along routes more populous and affording more business than the country through which the roads in Canada pass?

Mr. SPEARE. There is no doubt of it.

Senator REAGAN. How, then, do you account for the fact that you get cheaper transportation over the longer route having less business along its lines than over a shorter road with greater business?

Mr. SPEARE. The New York Central passes through a very populous country, and it doubles its stock and pays dividends on its stock after being doubled and all that, while the Canadian roads up to within a very recent time had not paid dividends upon their stock.

Senator REAGAN. If I understand the answer, it is that the Canadian roads have been carrying at rates that prevent them from paying dividends as against the United States roads.

Mr. SPEARE. Probably, as compared with the United States roads.

Senator REAGAN. With respect to the transportation of flour and meats from the West by water through the lakes and by canal to Albany and by the Boston and Albany road to Boston, can you not bring that traffic also by water from Albany to Boston cheaper than you can by the railroads through Canada?

Mr. SPEARE. No, sir.

Senator REMGAN. What is the difficulty about it?

Mr. SPEARE. Mr. Bliss told you yesterday. The expense of changing from cars to boats, and *vice versa*, stops it. As you know, cars are loaded from Chicago and come through. If you bring the freight to Buffalo in boats and then reload it into canal-boats, when the freight gets to Albany you have to change into cars. As he told you yesterday, the Boston and Albany never carried goods that way.

Senator REAGAN. Do you know the difference in cost of transportation from the West by the lakes and the canal to New York City as compared with transportation on the railroads?

Mr. SPEARE. I am not prepared to say.

Senator REAGAN. You heard the statement yesterday that they were lower, did you not?

Mr. SPEARE. Yes, sir.

Senator REAGAN. That had, of course, to bear the transshipment at Buffalo?

Mr. SPEARE. Yes, sir.

Senator REAGAN. Then you would only have one more transshipment to reach here than to reach New York, the one at Albany?

Mr. SPEARE. Yes.

Senator REAGAN. Do you know what it costs to transship at Albany?

Mr. SPEARE. The elevation alone is one-half a cent a bushel.

Senator REAGAN. Would that half a cent a bushel make up the difference in the cost of transportation by water and the transportation by rail from the West to Boston?

Mr. SPEARE. The Boston and Albany Railroad is the most expensive link in the line to operate. It takes an extra percentage of the through rate. The Boston and Albany has a 7-foot grade, while the New York Central in comparison with the former road has very light grade. They are allowed an extra proportion of the rate. As you remember, Mr. Bliss told you that on the Boston and Albany Railroad there is no profit in the through business.

Senator REAGAN. That relates to the through transportation from the West?

Mr. SPEARE. Yes.

Senator REAGAN. Does that affect the rate when the transportation to Albany is by water and then to Boston by the Boston and Albany Railroad?

Mr. SPEARE. You can very well understand that if the Boston and Albany Railroad wants the business and can make a profit out of it by taking the business from the canal at Albany (the rate is 30 cents today), and could get vessels to go there and discharge, they would do so. They have never seen any profit in doing it in that way, and therefore they have never erected any elevators nor done the business by that method. One-half of the grain and flour going to New York by water is carried during seven months of the year.

Senator REAGAN. Your reason for not wanting the Canadian roads brought under the same regulations as the United States roads is because by their situation they can discriminate and do discriminate?

Mr. SPEARE. What is the first part of your question?

Senator REAGAN. I ask if your reason for not wanting the Canadian roads brought under the same regulations as our roads is because the discrimination they make in their rates enables them to give you lower rates?

Mr. SPEARE. I do not understand that they are not under the regulations so far as they can legally be put under them.

Senator REAGAN. I ask if it is a fact or not, the Canadian roads not being under regulation, that they can cut under the United States roads. But I believe you say that the Canadian lines are under regulation.

Mr. SPEARE. Yes, sir.

Senator REAGAN. You do not understand that they are under the same regulation in reference to the local freights in Canada as our roads are in this country, do you?

Mr. SPEARE. No, sir; no more than our roads are under the same regulation as the Canadian roads are as respects Canadian business.

Senator REAGAN. Our roads are under such regulation that they are prevented from charging more for the shorter than the longer haul in

our territory, and the Canadian roads are not under that provision in their own territory.

Mr. SPEARE. Not in Canada.

Senator HISCOCK. You claim that grain shipped from Chicago consigned to Albany, in the State of New York, the moment it gets to Buffalo is subject to local rates on the New York Central, and that it is not subject to the interstate commerce law?

Mr. SPEARE. Certainly not.

Senator HISCOCK. When it is consigned to Albany, in the State of New York, the moment it strikes Buffalo the traffic is then exempt from and outside of the provisions of the interstate commerce law.

Mr. SPEARE. I do not make any such claim, if you will permit me. What I claim is this, that grain in the elevators at Buffalo, at the end of the route, is not subject to the law.

Senator HISCOCK. It may be at the end of the water route, but not at the end of the consigned route.

Mr. SPEARE. I say at the end of the consignment. The Boston and Albany is at liberty to make any arrangement it chooses to carry that grain through to Boston.

THE INCREASE OF BUSINESS OVER CANADIAN LINES.

Senator REAGAN. Did you hear the statement yesterday with respect to the increased business over the Canadian roads since the passage by Congress of the interstate commerce act?

Mr. SPEARE. Yes, sir.

Senator REAGAN. To what do you attribute that increase?

Mr. SPEARE. Do you refer to Mr. Mellen's testimony as to traffic from San Francisco?

Senator REAGAN. I have allusion, principally, to traffic between St. Paul and Detroit, and Minnesota and that part of the country.

Mr. SPEARE. I was not aware that there had been such a heavy increase over the Canadian roads since the interstate commerce law went into effect, and I do not think it is a fact.

Senator REAGAN. I ask if you are aware of the largely increased business on the Canadian lines?

Mr. SPEARE. I am not aware that the proportion of business or percentage of business done by the Canadian roads has been so largely increased since the interstate commerce act went into effect.

Senator REAGAN. In the testimony given before us at New York it was shown by various persons that the increase of business over the Canadian roads since the adoption of this law had been very great. Are you aware whether that is so or not?

Mr. SPEARE. Mr. Goodwin, who will speak for the Chamber of Commerce, will answer more in detail on that point. I am not aware that it is. In 1880 the New York Central carried 55 per cent. of its freight to New England, and last year 60 per cent. So it does not look like they suffered very much, so far as New England is concerned.

Senator REAGAN. If the Canadian roads doing business on United States territory are placed so that they must do business under the same legal restriction as our roads in order to let commerce take its natural channels over the shortest routes, and that business was turned back on the American roads, would it not cheapen the transportation on the American roads and put rates down to a point lower than the Canadian roads could afford to go?

Mr. SPEARE. My judgment is that if you eliminate the Canadian

roads and make a fixed rate and permit traffic to go by the shortest route the rates would be raised higher than they now are. You have passed a law placing the Canadian roads under the same rule as our roads. They have to file their through rates precisely as the other roads do with the Interstate Commerce Commission. Any differentials that are allowed them are agreed to by the association. These routes exist and the association says to them, "You have a longer route, and we will allow you to charge 2 cents less in order to get a part of the traffic."

Senator REAGAN. Is it not true that the Canadian roads in making the cheapest rate from Detroit and Chicago recoup on the local rates in Canada to make up the loss of revenue?

Mr. SPEARE. I have not seen the evidence to substantiate any such statement. You probably remember that Mr. Depew said in New York that so far as he knew the Canadian railroads live up to the interstate commerce act, but that he thought they have a chance to evade it.

Senator REAGAN. But the manager of the Canadian Pacific and the general manager of the Grand Trunk Line do not say that. They say that as to commerce going to and from the United States that they obey the law and they do not claim that they obey it as to commerce in Canada.

Senator BLAIR. I understood the gentlemen representing both Canadian lines to say that they did not recoup on the local freight in Canada for the money lost on the competing rates with the American roads.

The CHAIRMAN. Of course the law is not in force as to local traffic on Canadian roads.

Senator BLAIR. They claim that they do not recoup in Canada.

CANADIAN RAILROAD TRAFFIC AND THE COASTWISE TRADE.

The CHAIRMAN. Are you familiar, Mr. Speare, with the coastwise trade at this point?

Mr. SPEARE. Yes, sir.

The CHAIRMAN. Who controls it?

Mr. SPEARE. The people who own the vessels.

The CHAIRMAN. Who owns them?

Mr. SPEARE. Americans entirely.

The CHAIRMAN. To secure this condition of things has been the policy of the Government from the beginning.

Mr. SPEARE. Yes, sir.

The CHAIRMAN. Do you think it right?

Mr. SPEARE. I do.

The CHAIRMAN. Suppose we let the British in here to take a hand in the coastwise trade, do you not believe it would cheapen it?

Mr. SPEARE. Possibly it might, and drive our American people out of it.

The CHAIRMAN. That is what you are for—cheap transportation—is it not?

Mr. SPEARE. Everything taken into consideration.

The CHAIRMAN. On the theory that it is absolutely right that the American Government should protect Americans in the coastwise trade as against all others, why ought not the same principle prevail on the northern border of the United States, whether it be with respect to rail or to water?

Mr. SPEARE. That is too deep a question for me to answer off-hand.

The CHAIRMAN. You think that is a difficult problem. You have no doubt of the right of the American Government to protect, and the soundness of its policy in protecting, Americans in the coastwise trade, but you are not prepared to say that the same policy should prevail as to the trade on the northern border, whether by rail or water?

Mr. SPEARE. There are very manifest differences in the situation. Americans own roads in Canada. Americans own a road running from Newport to Sherbrook.

The CHAIRMAN. Do Americans own it entirely?

Mr. SPEARE. Yes, sir.

The CHAIRMAN. What is the length of the line?

Mr. SPEARE. Forty-six or 47 miles, I think.

The CHAIRMAN. What are its connections?

Mr. SPEARE. It connects with the Grand Trunk Railway. The Vermont Central owns a line running from St. Albans to St. John, which makes the link between the Grand Trunk and the Vermont Central.

The CHAIRMAN. Suppose Americans own it, ought there be any difference in the policy of the Government as to the general proposition to control the trade on the northern border as well as the coastwise trade?

Mr. SPEARE. Is it not, so far as water is concerned?

The CHAIRMAN. I think the trade is divided on the lake between Canada and the United States. I think the Canadian vessels are doing their trading as they please. There seems to be no definite policy on the part of the Government thus far as to the trade on the northern border, while there has been, since the beginning of the Government, as regards the Atlantic sea-board.

Mr. SPEARE. I think you will see there is a treaty regulation as to those vessels.

The CHAIRMAN. That might be, but it does not keep out vessels of Canadian ownership.

Mr. SPEARE. I think you will find that a Canadian vessel could not be stopped from running between Chicago and Buffalo. They can come to any of our lake ports precisely as they can on the ocean. There is nothing to prevent a vessel from St. John trading on equal terms with a vessel from elsewhere.

Senator BLAIR. I would like to ask you a question about this coastwise trade. Is it not a universal law and a custom among nations that the coastwise trade of each shall be confined to its own citizens?

Mr. SPEARE. I think so.

Senator BLAIR. If Great Britain permitted the ships of the United States to enter into her carrying trade, do you think that there would be much doubt that the Americans would do so; or do you think the reverse—do you think it is at all strange or wrong in our excluding foreigners from our coastwise trade when they exclude us from theirs?

Mr. SPEARE. I do not.

Senator BLAIR. Does not that arise from the fact that the defense of our interests upon the ocean at large requires trading and disciplining of the American people upon the sea, and is not that the reason why we and other nations exclude foreigners from the coastwise trade?

Mr. SPEARE. I think it is, and it is quite right in every nation to confine its coastwise trade to its own people.

Senator BLAIR. Now, do you think that by doing business or continuing to do business with the Canadian railroads as we always have done, we in any wise endanger the defense of our people in case of war?

Mr. SPEARE. No, sir; not in the least.

Senator BLAIR. Then, if the reason fails which leads to the discrimination against foreigners in our coastwise trade, why should we apply any such rule to our transportation relations with Canada as we do in our coastwise trade? What I mean is this: I believe it is a maxim that when the reason of a law fails the law ceases. If there is no reason connected with the defense of our people why we should not enter into and continue our transportation relations with Canada then why is this comparison pertinent?

Mr. SPEARE. I do not think it is.

Senator BLAIR. Do you not understand that the water regulations, the regulations on the lakes, and on the line of the St. Lawrence, are reciprocal between this country and Canada, so that Canadian vessels have the same privileges as ours?

Mr. SPEARE. Just the same.

Senator BLAIR. Reciprocal between the two countries?

Mr. SPEARE. Precisely. As I understand it, the relations with respect to shipping between the two countries are reciprocal, with the one exception of fishing vessels. Fishing vessels are allowed to enter Canadian ports for but four things—shelter, wood, water, and repairs. The restriction with respect to our fishing vessels is the only restriction that is put upon our vessels going into Canadian ports. We put no restrictions whatever upon their vessels.

A QUESTION BETWEEN THE PEOPLE AND THE RAILROADS.

Senator BLAIR. Now, another question, which has been put to nearly every witness and which was asked you. If it is not fair to subject the Canadian railroads to precisely the same conditions in transacting business as our roads are subjected to, and you say yes; now, if that is fair as between the railroads, is it fair when the question arises between our own people doing business and an American railroad? If governmental regulations, which are fair between the railroads, are an injury to the American people, is it fair to the American people to make such regulations?

Mr. SPEARE. I do not know on what ground you would do it.

Senator BLAIR. I want to know where the shoe pinches. Is this a question between the Canadian and the American railroads, or is it a question between the American people and the railroads generally?

Mr. SPEARE. As it stands to day, it seems to me it is a question between a few American railroads and the people. The few American railroads want to shut us in more effectually than we are.

A year ago this spring when we went to the Trunk Line Association at New York and asked to be placed upon a par with New York, Mr. Fink, the commissioner, said, "We do not give you the same rate as New York because of your position. You have not the competition. New York has water routes, etc., and you have not."

Senator BLAIR. These New York and other railroads made you that answer?

Mr. SPEARE. Yes, sir; through the commissioner of their association, Mr. Fink.

Senator BLAIR. In other words, that they could charge you more, and they did charge you more?

Mr. SPEARE. Yes, sir.

Senator BLAIR. Then the real question here is not one between the railroads, but between the railroads and the people of New England?

Mr. SPEARE. That is practically what it is to-day, sir.

RATES TO BOSTON AND TO NEW YORK.

Senator BLAIR. I understand you to say that these New York roads and the Pennsylvania road, and I suppose perhaps the Baltimore and Ohio, while nominally making the same rate from Chicago to Boston as they make from Chicago to New York, yet, in practice, they charge Boston 5 cents more?

Mr. SPEARE. No, sir; you have not got that quite right. So far as export rates are concerned, and so far as anything going to the Pacific coast is concerned, we have the same rates as New York; but as far as all local business is concerned we pay more. It is an open fact that we pay 5 cents more per hundred on local freight than do the people of New York.

Senator BLAIR. And that is charged to the consumption of the people of New England? I am not talking about the merchants, but the people, who have to pay all these bills in the end.

Mr. SPEARE. Yes, sir; it costs the people of New England from 5 to 20 cents per hundred more than the people of New York.

Senator BLAIR. I think that is a difference which should be made manifest and which should be understood.

Senator REAGAN. Is that so as to grain coming over the lakes?

Mr. SPEARE. Yes, sir; on everything that comes to Boston. We have to pay 5 cents more per hundred on the lowest classes, and on the higher classes it runs up to 20 cents.

Senator BLAIR. When you applied to Mr. Fink for a reduction of the rates to New England and to put New England on a basis with New York, Philadelphia, and Baltimore, he told you that they would not give you the same rates as the States in which those cities are located, because there was no competition to compel them to, and so the roads charge you 25 per cent. more than they do the people living in those other localities?

Mr. SPEARE. That is the practical result of it.

Senator BLAIR. That is the result that the farmer would comprehend and whoever consumes commodities would comprehend.

Mr. SPEARE. It just puts that much more upon the cost of the commodity to the consumer, or deducts so much from the value of the products of the West.

Senator BLAIR. Thus it is that transportation enters into the commerce of New England, exporting and importing, more than into the commerce of any other part of the country.

Mr. SPEARE. Yes, sir. It puts that much more tax upon our manufactures as well as upon everything we consume.

Senator BLAIR. Mr. Mellen's statement, then, was quite misleading, was it not?

Mr. SPEARE. I thought so at the time, sir.

Senator BLAIR. I thought so, too, but I was not well enough informed to make plain these facts; I have always so understood them, however.

TRAFFIC BETWEEN NEW ENGLAND AND CANADA.

Is there not a great deal of business intercourse and other intercourse between the people of Canada and our own people, which can in no wise be accommodated by these trunk railroads which we have been speaking of? Is there not, along the northern border, within two or three hundred miles of the border in Canada and the United States, a good deal of intercourse that could not be at all accommodated by these American trunk lines?

Mr. SPEARE. It could not be accommodated except by paying local rates from whatever should be the common point, which, as I have stated, I believe the Canadian railroads——

Senator BLAIR. Please get the New England roads separated from these trunk lines. We use our trunk lines in getting to any portion of Canada which lies north of New England, do we not?

Mr. SPEAR. Yes, sir; of course we do.

Senator BLAIR. And is that not true of all northern New York?

Mr. SPEARE. Northern New York is supplied entirely by the Ogdensburgh road.

Senator BLAIR. Are the New England roads, except where they have direct connection with the trunk lines, very largely dependent upon Canadian communications or connections for what supports them?

Mr. SPEARE. Yes, sir.

Senator BLAIR. As well as the people of New England?

Mr. SPEARE. Yes, sir.

CANADIAN INTERESTS IN THE UNITED STATES.

Senator BLAIR. Now, another thing, Mr. Speare, with reference to the future and the defense of the country. Do you not think it would be good policy to pursue that course which would locate the termini of the Canadian roads under the jurisdiction of the American flag, so that in case of war we could shut them off?

Mr. SPEARE. Yes, sir.

Senator BLAIR. What would become of Canada, in case of war, if we had possession of her eastern outlets?

Mr. SPEARE. I think we would certainly have the advantage of her in that particular. If the road of the Canadian Pacific through Maine is built, in case of trouble we can stop it immediately.

Senator BLAIR. They could not use that road very much if we held this end of it.

Mr. SPEARE. No, sir.

Senator BLAIR. Suppose that war broke out in winter when the St. Lawrence is frozen up, how would the Canadians get troops into the center of Canada to meet an American army?

Mr. SPEARE. They have a railway line, sir. We can shut them out of Maine, if we choose, but, at the same time, we do not close up the Canadian Pacific.

Senator BLAIR. I am aware that there is as yet that unimportant branch line; but suppose we bring their principal termini and all their business under the jurisdiction of our own flag in the State of Maine, at Portland, further east, and at Boston. They are going to have their connections at New York, which will be as important to them as any, I suppose, and they are even forming connections with Philadelphia and Baltimore. Now, if we fasten all the interests of Canadian transportation on the Atlantic coast under the American flag, why is it not a good thing to do?

Mr. SPEARE. I think it is a good thing to do.

Senator BLAIR. It is inevitable that as more commerce develops under our own flag on the Atlantic it will be of benefit to us.

Mr. SPEARE. Of course.

THE NEW YORK AND BOSTON RATES.

Senator HISCOCK. Did I understand you to say that the New England rates were 5 per cent. higher than the New York rates?

Mr. SPEARE. No, sir; we have this singular anomaly: our rates on west-bound freight are precisely the same as all other points, but everything that comes into New England for consumption, not for export, pays 5 cents a hundred on the lowest and 20 cents a hundred on the highest more than the New York rate—5 to 20 cents per hundred, not 5 per cent.

Senator HISCOCK. There is that difference between freight that comes into New England for consumption and that which comes for exportation?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. Are those rates published?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. Are they published exhibiting that discrimination as between domestic and export trade?

Mr. SPEARE. Yes, sir. You heard that in your testimony in New York. That was given in the testimony before this committee in New York.

Senator BLAIR. I did not understand that was brought out in New York.

The CHAIRMAN. I do not think such testimony was given in New York.

Senator HISCOCK. I never heard that statement made before.

The CHAIRMAN. Have you any tariffs showing the facts?

Mr. SPEARE. I have not the tariffs with me. That discrimination occurs in this wise: The railroads bill freight to Boston at 30 cents per hundred, but 5 cents per hundred rebate is allowed on all freight exported.

Senator BLAIR. Five cents per hundred?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. Five cents per hundred is 20 per cent. My recollection is that Mr. Depew's testimony would be entirely inconsistent with that statement.

Mr. SPEARE. We can show you the facts, sir.

Senator HISCOCK. Mr. Depew stated that with reference to all of their freight for export they made their arrangement, as I remember it, for ocean transportation, at the rates of the day.

Mr. SPEARE. There is no question but what there is a good deal of freight which goes across the ocean on which the rate is made from Chicago to Liverpool. The rate from Chicago to Liverpool is made from day to day. My point is that the rate to Boston to-day, upon a car-load of grain, is 30 cents per hundred. If that car load of grain is exported, a rebate of 5 cents per hundred is allowed. Now, New York would get that car-load of grain for 25 cents per hundred, whether it was used in New York or exported. That is my point.

Senator BLAIR. We do business cheaper for the people of Great Britain than for our own people?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. That offers a premium of just so much for all of the export trade to come through Canada to Portland or Boston for shipment?

Mr. SPEARE. Where is the premium? When you are down to the lowest rate, you are no lower than New York.

Senator HISCOCK. As I understand you, on all freight coming to Boston for export, a rebate of 5 cents per hundred is allowed, and that rebate is not allowed to Philadelphia or New York.

Mr. SPEARE. It puts Philadelphia and New York and Boston on precisely the same basis with respect to the export trade.

Senator HISCOCK. Do you mean that after that 5 cents per hundred rebate is allowed then the rate on export goods from St. Paul to Liverpool by Boston is precisely the same as it would be by way of New York?

Mr. SPEARE. I do not say that, because the ocean rates may vary; but I say that we are put upon a par when that rebate is paid with New York and Philadelphia in regard to the export business. With respect to the freight for consumption in New England we pay five cents per hundred more than anybody west of us pays.

Senator BLAIR. Which is the more important to us, the export trade or the domestic trade?

Mr. SPEARE. The domestic trade is much more important.

Senator HISCOCK. As I understand it, then, for the export trade the rates are adjusted in such a manner that if the freight is to be shipped from Boston there must be this rebate of 5 cents per hundred given to you to place Boston and New York on an equality?

Mr. SPEARE. Yes, sir; and we are not on an equality quite, then, to go a little farther. As you remember, it was stated before your committee in New York, that 3 cents per hundred was deducted for lighterage; so that while it is nominally a 25-cent rate to New York, it is in reality only 22 cents. The majority of the stuff exported from Boston takes no lighterage whatever. When it does it costs not over a cent and a half as against 3 cents in New York; so that we are not quite on an equality with New York.

Senator BLAIR. What is lighterage?

Mr. SPEARE. When grain is taken from the cars for export it has to be taken in lighters to where the ship lies. Our facilities here are very ample, and the steamers land right alongside where the railroads deposit the grain, in most cases.

Senator REAGAN Are the rates of transportation of flour, wheat, meats, and other domestic products coming from the West to Albany the same whether they come to New York or to Boston?

Mr. SPEARE. I can not answer that.

Senator REAGAN. Under the law would they not be compelled to be the same, so that there should be no discrimination?

Mr. SPEARE. No, sir. As I told you a little while ago, in our case before the Interstate Commerce Commission we showed that the Lake Shore road received $10.48 more upon a car-load of flour coming to Boston, hauling it from Chicago to Buffalo, than it did upon a car-load of flour in the same train going to New York City; so that equality is not there.

Senator REAGAN. Was any action taken upon that case?

Mr. SPEARE. Yes, sir.

Senator REAGAN. And they corrected it?

Mr. SPEARE. No, sir.

Senator REAGAN. Do you understand that on the New York Central and its connections, and the other roads that bring produce to Albany from the West, that they charge 5 cents a hundred pounds more, or any more, to Albany on freight going to Boston than they do on freight going to New York City?

Mr. SPEARE. I have just told you, in this case the Lake Shore road charged $10.48 more.

Senator REAGAN. That is only a single road.

Mr. SPEARE. Yes, sir; but I think the New York Central did, too.

Senator REAGAN. How far is it from Albany to the border of the New England States?

Mr. SPEARE. It is right across the river, 50 or 60 miles.

Senator REAGAN. Would the railroads charge 5 cents per hundred pounds more to a point in Connecticut than to New York?

Mr. SPEARE. Yes, sir.

Senator REAGAN. Now, as a matter of fact—I do not know how it is and ask for information—is this large addition to the cost of freight coming to New England made by other roads or by the New England roads themselves?

Mr. SPEARE. No, sir; by other roads. The 5 cents per hundred is not allowed to the Boston and Albany Railway, as you could see by the table which we could furnish you showing how the freight rate is divided.

Senator HISCOCK. Through the Canadian line, the Grand Trunk line, I suppose you are able to get your freight to those Western points at the same rate that is given to the shippers in New York?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. Now, do you know whether this difference in rates on these trunk lines is due to the fact that differential rates have been agreed to between the trunk lines with a view to giving the Canadian lines their share of the business?

Mr. SPEARE. Do you refer to the 5 cents additional that is charged to Boston?

Senator HISCOCK. I do not care whether it is 5 cents more or 5 cents less. Do you know whether it is accounted for by the differential rates agreed to as between the railroad companies, allowing the Canadian roads to carry at a less rate in order to get their share of the business?

Mr. SPEARE. I do not quite understand you, Senator.

Senator HISCOCK. I want to know whether this difference over the the New York Central and then over the Boston and Albany is due to the fact of differential rates having been agreed to between the various trunk lines, including the Canadian line, with a view to allowing the Canadian lines to get their share of the business?

Mr. SPEARE. No, sir. There is no differential on east-bound freight. It is only on west-bound freight that the Canadian roads are allowed a differential.

The CHAIRMAN. Your statement is correct as to the differential being given only one way.

Senator HISCOCK. Do you understand that freight coming from a point west of New York is transported to Albany or any point west of [illegible]ork City at a higher rate than it is to New York City?

[illegible]SPEARE. Yes, sir; I do.

[illegible]ator HISCOCK. Do you know that to be the case?

[illegible]SPEARE. I will give you the figures.

Senator HISCOCK. I do not see how it is possible. I should think the law of trade would regulate that and make it impossible.

Mr. SPEARE. I will read you a few facts. I will read the decision of the Interstate Commerce Commission.

Senator GO[illegible]MAN. In what case?

Mr. SPEAR[illegible] The case of the Boston Chamber of Commerce *vs.* The Lake Shore [illegible] two connecting lines to Boston. Here are the figures:

New York [illegible]entral on corn and flour to New York, $23.04.

New York [illegible]entral on corn and flour to Albany, $25.78.

Senator HI[illegible]COCK. From what point?

Mr. SPEARE. From Chicago.

Senator HISCOCK. But notwithstanding that is true, are you not aware that that difference is not charged to the purchaser, but is allowed to the railroad which delivers the freight at Buffalo; so that when you take the two aggregate rates, say from Chicago to Buffalo, the rate is not higher than it is from Chicago to New York?

Mr. SPEARE. I do not understand your question at all.

Senator HISCOCK. What I mean is this, that under the arrangement between the New York Central and the Western roads, the Western roads allow a larger proportion on the through rate to the New York Central on business which is west of New York than they do on business just to New York, because the New York Central has to compete there with the Erie, the Pennsylvania, and other lines, whereas with respect to the other business it has not, and the Western roads are compelled, in the division of freight between them and the New York Central, to make this differential rate to them on purely local freight to the city of New York, but in the aggregate the rate is no higher to the Albany purchaser or shipper than to the New York City purchaser or shipper.

Mr. SPEARE. I presume it is the same.

Senator HISCOCK. I did not so understand the statement as you made it.

Mr. SPEARE. I will give you the exact facts as to the matter. According to the record of the case before the Interstate Commerce Commission, a car-load of flour over the Lake Shore and Michigan Southern to New York Harbor costs $36.08. If the car-load of corn or flour going over the Lake Shore is destined to Boston the rate is $46.56, or a difference of $10.48 in favor of New York on a car-load of flour.

Senator REAGAN. Is that difference made in the charges west of Albany or is it the difference in charges east of Albany?

Mr. SPEARE. It is simply a difference made up by an agreement among the railroads. On what principle I am not able to inform you. They agree on certain through rates from Chicago to Boston and New York, and then make the divisions among themselves.

Senator REAGAN. That decision relates to a through rate to this place and does not settle the question at all that more is charged on the freights from the west to Albany, if coming to Boston, than if going to New York.

Mr. SPEARE. We know that such is the fact.

Senator REAGAN. Your rate is just the aggregate rate.

Mr. SPEARE. I read you the specific rate, not the aggregate rate.

Senator REAGAN. It is the aggregate rate to Boston and does not deal with the question of transportation to Albany. My question was whether there was any discrimination in freight rates before Albany is reached between traffic coming to Boston and that going to New York. This is an aggregate rate covering the whole distance. Now, is not that difference made by the New England roads?

Mr. SPEARE. No, sir.

Senator REAGAN. Have you anything to show that traffic to Albany is charged more if it comes to Boston than if it goes to New York?

Mr. SPEARE. I just read you figures showing that such is the fact.

DELEGATION FROM PORTLAND, MAINE.

The CHAIRMAN. I am informed that the delegation from Portland has arrived, and the committee promised to hear them upon their arrival. As those gentlemen are present I would be glad to have them come forward.

Mr. SPEARE. Mr. Goodwin, president of the Boston Executive Business Association, is present, and I would ask the committee to hear him at this time, inasmuch as the delegation from Portland was not present when we started in.

The CHAIRMAN. I understand from Mr. Wescott, of Portland, that it would be entirely satisfactory to them for us to hear at this time the gentleman you name. We will have time enough to-day to hear from the Portland gentlemen.

STATEMENT OF HERSEY B. GOODWIN.

Mr. HERSEY B. GOODWIN, president of the Boston Executive Business Association, appeared.

The CHAIRMAN. What is your business, Mr. Goodwin?

Mr. GOODWIN. My business is an exporter of grain to Great Britain, also a commission merchant and receiver of flour.

The CHAIRMAN. Where do you do business?

Mr. GOODWIN. In Boston.

The CHAIRMAN. I suppose you have your own views on this question, and probably it would be better for you to proceed in your own way without the interposing of questions upon our part. If that is agreeable to you, you may do so.

Mr. GOODWIN. As a representative of the Boston Executive Business Association, of which I have the honor to be president, I have been asked, on behalf of the Boston Chamber of Commerce, to present the preamble and resolutions which I hold in my hand, and if I may be allowed to read the same I will do so.

The CHAIRMAN. You may do so.

Mr. GOODWIN. The resolutions are as follows:

Whereas the honorable the United States Senate Committee on Interstate Commerce are to give a hearing on or about July 5, 1889, at Boston, relative to proposed restriction upon the traffic which is carried over the railroads of Canada; and

Whereas the subject is one of the greatest vital importance to the commercial interests of the city of Boston as well as of New England, more especially as the operation of the interstate-commerce act has borne somewhat heavily on this section of the country: Therefore be it

Resolved, That the honorable Committee on Interstate Commerce of the United States Senate be earnestly solicited to give full and impartial consideration, before advocating any step which may operate as a check upon the advancement of trade between the great territory of the Northwest and the eastern section of this country

Resolved, That this chamber looks upon the channel of transportation as furnished over the Canadian railroads as a natural one between the Northwest and the East, and so expressed itself in a petition to your honorable committee at the time of a previous movement in the same direction, under date of February 28, 1888; it now most earnestly protests against any legislation by the General Government which may tend to the prejudice of any particular section, or impede the development of new and rapidly growing territory.

Resolved, That this expression of the position of the Boston Chamber of Commerce upon the vital question now under consideration be communicated to the honorable the chairman of the United States Senate Committee on Interstate Commerce, bespeaking its presentation before the members of said committee.

[SEAL.]

D. W. RAULET.
FRED'K N. CHENEY.
RUFUS A. FLANDERS.

BOSTON, *July* 3, 1889.

IMPORTANCE OF THE CANADIAN LINES TO BOSTON.

I will add a few words on behalf of the Boston Chamber of Commerce, for whom I was asked to speak. What I say will perhaps be

more particularly in emphasis of several of the points made by Mr. Speare, who preceded me, as well as presenting one or two points that suggest themselves to me.

The Boston Chamber of Commerce represents a number of large and important interests particularly in Boston, the breadstuff interest, the produce interest, the provision interest, the oil intterest, the grocery interest, and a number of other interests of less importance. To three or four of these interests the maintenance of the Canadian traffic (the traffic over the Canadian roads in all its entirety) is especially important. Take, for instance, the grain interest. During the winter season—the season of closed navigation—a very large proportion of the grain shipped from Chicago to Boston and New England, as much as 40 per cent., is carried over the Canadian roads, leaving Chicago by the Chicago and Grand Trunk Railroad, and carried by the northern route to New England and there distributed. Port Huron is the principal point where the Grand Trunk receives its grain. The grain is stored on the eastern coast of Georgian Bay during the season of navigation, and distributed later in the season to northern and northeastern New England, as occasion requires.

We will take next the produce interest, which is a very large one, especially with Boston. That interest complained that until the advent of this Canadian transportation, this route by the Chicago and Grand Trunk, and also over the Grand Trunk of Canada, they had to submit to high charges and poor transportation service, and that the Grand Trunk has been the means of improving the service and lowering the rates. Ten or twelve years ago, when this National Dispatch Line was established, the rate on British products, such as butter, cheese, and eggs, butter more particularly, was $1 a hundred, and the time consumed in the transportation of it from Chicago and the initial points to Boston was at least twelve days. Owing to the competition established by the Grand Trunk line the rates were reduced from $1 a hundred to 75 cents a hundred, and the time of carriage has been reduced from twelve days to six, and even five days. In many cases the time from the West to Boston is not now over four days, thereby obviating the necessity of re-icing the cars in transit, which was a matter of considerable expense.

If I may be allowed to read a letter that I received this morning from one of our representative produce men in Boston, it will present the point I am endeavoring to make quite forcibly. The letter says:

BOSTON, *July* 3, 1889.

Mr. H. B. GOODWIN:

DEAR SIR: It would be very difficult for me to state the advantages that Boston and New England have derived from the Grand Trunk Railroad. It is some ten or twelve years since the Chicago, Boston and Liverpool Refrigerator line was established. Previous to that time western cities and towns had not established rates of freight to Boston, had different rates from each town or shipping point; time was irregular, ranging from eight to twelve days from Chicago; service poor; that is, I mean refrigerator cars were in poor condition or poorly iced. So when this line was established new cars were put on, afterward icing stations between Chicago and Boston, excellent service was rendered, time reduced to five to seven days, which has since been reduced to four and five days.

Of course the American roads were compelled to improve their time and service, but only did it when compelled to by competition with the Grand Trunk line. Now every shipping point in the entire West and Northwest has regular rates to Boston and New England points, and did before the passage of the interstate-commerce law. The American trunk lines are particularly interested in New York, Philadelphia, and Baltimore, and seem to care but little for Boston or New England, only to secure the traffic with such service and rates as they see fit to render. The same condition of affairs existed on grain, flour, and provisions previous to the establishment of the

National Car Company, known as the National Dispatch Line, but you probably know as much about that as I can tell you.

In my opinion over one-half of the butter, cheese, eggs, and poultry from the West and Northwest is shipped over these Canadian roads, simply because it has been the pioneer road in good service and quick time, and the merchants of Boston remember and realize what their condition would be if this line were shut out from New England business; it would be impossible to estimate the damage to Boston and New England trade. These facts that I give you are my personal experience, not only in dairy products but in all other lines of produce, previous to the thorough establishment of the National Despatch Line.

I will not give the name of the writer, but those are the points, and they are presented as forcibly as possible.

Senator BLAIR. Do you indorse them?

Mr. GOODWIN. Yes, sir. It is just what I would have stated and was prepared to state.

Next, take the article of foreign fruit, which is a large interest in the Chamber of Commerce. Gentlemen engaged in that business tell me that while they do not ship west in refrigerator cars, they do ship largely in ventilated cars. They find that this northern route by way of the Vermont Central is better on account of the climate. Of course the more northerly the route the cooler the climate.

The CHAIRMAN. From where does the fruit come?

Mr. GOODWIN. From the Mediterranean ports and the West Indies. They do a large amount of shipping to Detroit and other northwestern points. Time and temperature are a great consideration. They tell me that they ship fully one-half their products now by this northern line.

In all these interests, as well as every other interest represented in the Chamber of Commerce, the competition that is derived through the Canadian route is vital. Setting aside Canadian competition, Boston and New England labor under great disadvantage as compared with the other sea-ports of the United States. This is so, first, on account of the geographical position of Boston, it being at a greater distance from the western centers than the other ports; and, secondly, by reason of the operation of the interstate commerce law, which certainly has been of disadvantage to New England universally, and particularly in the way alluded to by Mr. Speare, inasmuch as all freight passing to and from Boston and New England, and between Boston and the West and Southwest, is interstate freight, and subject to the conditions of the interstate commerce law; whereas, New York, our great competitor, has the benefit not only of the water line, but also, as has been stated, and which is a very important point, has one railroad entirely within the limits of the State, which is entirely free from the conditions imposed by the law—I refer to the New York Central. Grain and flour and other classes of goods may be shipped during the season to Buffalo, and detained there and be reshipped to New York over the New York Central at any rate that road chooses to make.

DIFFERENCE BETWEEN BOSTON AND NEW YORK RATES.

Another disadvantage that Boston and New England labor under is the attitude of the American trunk lines toward her. I refer to this 5-cent arbitrary rate which was established years ago when we had fewer lines from the West than now, and when the rates here were at a 10 per cent. difference, based upon the difference between the shortest line from Chicago to Boston and the shortest line from Chicago to New York. As the difference then was 10 per cent. an arbitrary rate of 5 cents per hundred pounds was fixed as a difference between the points. Since that time the rates have shown a difference of 50 per cent. and frequently

more, but new roads have reduced the difference from 10 per cent. to an insignificant difference. For instance, the distance from Chicago by the New York Central and the Boston and Albany is 982 miles, and by the Nickel Plate and Housatonic line the distance is 1,001½ miles, reducing the difference to 19½ miles instead of a 10 per cent. difference in distance as heretofore.

Therefore, to maintain an arbitrary rate which was based on the difference in distance years ago, when the distance has been reduced to an insignificant point, when the rates have been reduced from 50 to 20 per cent., and sometimes lower, seems to be a great injustice to New England. Hence, the Chamber of Commerce of Boston brought that case before the Interstate Commerce Commission, and it was decided against us on what seems to us insufficient grounds. At the same time we can not question decisions of the Interstate Commerce Commission. I have here tables that were laid before the Interstate Commerce Commission, from which I can quote to the committee some figures later on.

The CHAIRMAN. What are the tables to which you refer?

Mr. GOODWIN. Some tables giving information with respect to and in the line of questions asked by members of the committee of Mr. Speare in regard to rates over the same line, in the same direction, on the same class of freight, some destined to Boston, another consignment to New York, and still another lot to Lewiston, Me.

The CHAIRMAN. You may point out whatever you think proper in connection with the matter, and submit the same to the committee.

Mr. GOODWIN. There are a good many of them, but they follow out the line of questioning of the previous witness.

Here are the figures with reference to the Lake Shore and Michigan Southern road. That is a point referred to by Senator Reagan. The rate per 100 pounds west of Buffalo now existing, without deducting expenses of lighterage, is given. I have all the classes here, but it is not necessary to mention all, because the difference seems to be about the same. Here are the earnings of the Lake Shore and Michigan Southern from Chicago to Buffalo, per 100 pounds, under existing rates, without deducting from the New York rate any expense of lighterage: Firt-class, billed to New York, 41 cents; billed to Boston, 44 cents; that is to say, a car-load of flour over the Lake Shore and Michigan Southern, if for New York, pays $41, whereas a car-load of flour over the same road, if for Boston, pays $46.56.

Senator HISCOCK. That is for through freight?

Mr. GOODWIN. That is on the existing basis.

Senator HISCOCK. But it is through freight?

Mr. GOODWIN. Yes, sir.

Senator HISCOCK. The question asked by Senator Reagan was whether that difference, for aught you know, is not made up by the extra cost of transportation when the freight strikes the New England roads.

Mr. GOODWIN. No, sir. The proportion of the Boston and Albany is given, and it does not show that.

Senator HISCOCK. I would like to have you demonstrate that that is not the fact. You have been referring to the through rate to the terminus.

Mr. GOODWIN. I have given the proportion of the Lake Shore.

Senator HISCOCK. No, you have not given the proportion that the Lake Shore charges, but the whole distance. I want you to demonstrate, if you can, that this difference is not made up by the extra cost when the goods strike the New England road.

Mr. GOODWIN. A car-load of flour over the Lake Shore and Michigan Southern, 538 miles, if for New York, $36.08. For a car-load of flour over the same road, the same distance, if for Boston, $46.56.

Senator HISCOCK. But that is the full freight. Do I understand you to say this, that for the transportation over the Michigan Southern, or over the Lake Shore, if you please, they receive more and exact more on Boston freight than they do for New York freight, carried the same distance?

Mr. GOODWIN. Yes, sir; that is just the point I am endeavoring to make.

Senator HISCOCK. I am inclined to think that your paper does not show that.

Mr. GOODWIN. I have been quoting from tabulated statements presented to the Interstate Commerce Commission.

Senator HISCOCK. What I think they exhibit is this, that the full freight is given for the two terminals at which it is delivered, but these papers do not undertake to give the proportion that each road receives; that is to say, what the New England road received and the Michigan Southern received of the aggregate rate for the whole distance between the two terminals.

Mr. GOODWIN. I have not the proportion that each road received, but I give the proportion of the Lake Shore and Michigan Southern. The Lake Shore and Michigan Southern from Chicago to Buffalo receives per 100 pounds, under existing rates, first class, 41 cents, billed to New York; on first class billed to Boston, 44 cents.

Senator HARRIS. That is for carrying the merchandise from Chicago to Buffalo.

Mr. GOODWIN. From Chicago to Buffalo. I can go further and give the earnings of the New York Central and Hudson River Railroad from Buffalo to East Albany.

Senator HISCOCK. I can understand that there may be a cent or two exacted from you on account of transshipment or something of that kind; that there might be terminal charges which would make that difference.

Mr. GOODWIN. I have given the difference on first-class freight as 41 cents to New York and 44 cents to Boston. On sixth class it is $13\frac{7}{10}$ cents to New York and $15\frac{1}{2}$ cents to Boston.

Senator HISCOCK. I can understand that in the shipment to Boston there might be terminal changes that make that difference.

Mr. GOODWIN. That is all rail without breaking bulk.

Senator HISCOCK. But the other table gives figures much larger than that, showing that there is a mistake somewhere, or else that we do not understand the statement.

Mr. SPEARE. If you will allow me I can give it to you from the report of the Interstate Commerce Commission itself.

The CHAIRMAN. You may do so.

Mr. SPEARE. Lake Shore, on corn to Boston, $46.56; the same on wheat and the same on flour. New York Central, on corn and flour to Boston, $26.05, making a total of $72.61. By the Boston and Albany on corn, wheat, and flour to Boston, $17.40, which, added to the share of the Lake Shore and the share of the New York Central, brings the amount up to $90.01. That is, the division to each road added together makes $90.01 as the rate to Boston.

Senator HISCOCK. Now, is there anything in the tables showing that on the same freight for the distance carried by the Michigan Southern

it receives a larger proportion on the freight destined to Boston than on the freight destined to New York?

Mr. SPEARE. Precisely; and also that the New York Central does. On freight going to New York the Lake Shore receives $36.08, whereas if it is going to Boston they receive $46.56, or $10.48 more. The New York Central, if the freight is going to Boston, gets $26.05, and if it is going to New York it gets $23.04.

Mr. GOODWIN. That shows you that the 5 cent arbitrary is divided between the different lines composing the through line from Chicago to Boston.

To proceed from that point, as I say, the Chamber of Commerce brought a case before the Interstate Commerce Commission in order to eliminate this 5 cent discrimination against freight brought to Boston for local consumption; but our request was refused and this discrimination exists to-day.

Senator BLAIR. Will you state the reason given for the refusal by the Commission?

Mr. GOODWIN. There was a division among the members of the Commission. A minority of the Commission did not indorse the decision in full. The chief reason given was heavy grades and the expense of breaking up trains at Albany.

The CHAIRMAN. That was argued before the Commission, was it?

Mr. GOODWIN. Yes. What we are willing to rest on now and were then is that these separate lines constituting the through line charge in the same direction for the same distance, in the same train, considerably more for Boston freight than for New York freight.

Senator BLAIR. If the Interstate Commerce Commission and the railroads combine to maintain that discrimination, then your only remedy is by this Canadian competition.

Mr. GOODWIN. I can not say that we can do away with this discrimination through the Canadian lines alone, but I do know that the Canadian roads are willing to do away with this 5 cent arbitrary if the American lines consent to it. Of course if the American lines maintain it the Canadian lines will maintain it too.

CANADIAN LINES EXTENDED THE BOSTON RATES.

I will now pass to the other point mentioned by Mr. Speare, namely, that immediately after the passage of the interstate commerce law the trunk lines withdrew their through Boston rates from a large number of New England points, terminating the billing at Boston, and thus compelling New England freight to pay the local rates, ranging from 5 to 10 or 15 cents, according to distance. That operated in this way, as was foreseen at the time the interstate commerce law was passed: A 5-cent arbitrary, added to the local freight on the Canadian roads, enabled New York merchants to come in by water to Boston and to various points along the Massachusetts coast, and take from us our Boston business. During the first summer while that state of things continued, the largest consumer of grain in Boston was supplied by vessel from New York. The Canadian lines came to the rescue at that point and, as has been stated, opened up several hundred points in southeastern New England at Boston rates, and the American trunk lines were compelled to follow.

The effect of restricting or suppressing this Canadian traffic would undoubtedly be to restore that condition of things of which I have just spoken, namely, to withdraw again the Boston rates from this very

large number of New England points and terminate billing at Boston, thereby increasing the cost to the consumer by just so much on all the food products that are brought from the West.

I do not mean to claim that the Canadian lines have been reckless in rates, for they have not. The trunk lines seem to consider New England a harvest-field from which to reap large profits, and this competition on the part of the Canadian lines is about the only check we have. Aside from the competition of the Canadian railroads it can hardly be claimed that we have any competition, because, although we have two trunk lines, the West Shore Line and the New York Central, they are both under Vanderbilt control, and the New York and New England route is so circuitous that at minimum rates they are unable to compete.

Boston has had a hard struggle for years to maintain her trade against all these disadvantages, and it is vital that we should not now lose any of our advantages.

I shall be glad to answer any question, Mr. Chairman, you or any members of the committee may think proper to ask.

EFFECT OF THE LAW ON NEW ENGLAND.

The CHAIRMAN. You say Boston has had a pretty hard struggle for a good many years, so that the trouble you have been in since the interstate commerce act was passed is not a new one?

Mr. GOODWIN. The main obstacle that we had to contend with prior to the passage of the interstate commerce act was this arbitrary, which was always maintained.

The CHAIRMAN. How much of an additional struggle was placed upon you by the passage of the interstate commerce act, and in just what particular?

Mr. GOODWIN. It has been in just what I have spoken of, that it enables New York, through her additional facilities, to deprive us of a portion of our business, which, as far as our local business is concerned, is very important.

The CHAIRMAN. The struggle has always been between you and New York, resulting from the fact that you are further from the grain and pork and beef region, and that the railroads were disposed to favor New York in preference to Boston, because New York is the greater sea-port; is that not so?

Mr. GOODWIN. I do not recognize the justice of that, because Boston has all the advantages that New York has in the matter of terminal facilities and deep water.

The CHAIRMAN. When you get to it?

Mr. GOODWIN. Yes, sir; I think I have just illustrated by the figures I have given that the difference is insignificant.

The CHAIRMAN. But it is the fact that there has always been a struggle going on on the part of the people of Boston to get such rates established by the trunk lines, before you had anything to do with these Canadian lines, as would give Boston a fair share of the business coming from the West.

Mr. GOODWIN. So far as the export business is concerned we have the New York rate; Boston and New York are on the same basis in respect of that. Philadelphia and Baltimore have a differential in their favor. But as to traffic for domestic consumption we always have been held on this traditional basis of 10 per cent. difference in distance, which has always worked to the injury of our local business.

BOSTON'S EXPORT BUSINESS.

The CHAIRMAN. The business of Boston is pretty largely export, is it not?

Mr. GOODWIN. Boston has a fair share of the export trade to Liverpool. We have a London line which does a good business, and a fortnightly line to Glasgow.

The CHAIRMAN. Suppose that these Canadian roads should make their connections so as to carry on their export trade from some point in Canada, what would be the affect of that condition upon Boston? Would it drain away from you whatever export trade you have?

Mr. GOODWIN. It would be very prejudicial to Portland, which is the northern port.

The CHAIRMAN. Would it not injure Boston, too?

Mr. GOODWIN. I do not think it would particularly affect our export trade, because we have the New York rates on export business. I was speaking more especially with reference to our local business.

The CHAIRMAN. If that condition should prevail hereafter you might not get the New York rate.

Mr. GOODWIN. If that were done all our steamers would be obliged to leave the port. That is the point Mr. Fink made to the committee of which I was chairman, when we visited him. He drew this fine distinction which the railroads drew previous to the passage of the interstate commerce law, the difference between competing and non-competing points. Boston is a competing point so far as export business is concerned. It is non-competing as far as local business is concerned. Hence, the same rate is made to Boston as to New York on export business, but the rates on local business to Boston are higher.

SHIPMENTS TO NEW ENGLAND OVER CANADIAN LINES.

The CHAIRMAN. What proportion of your business is done on the Canadian roads?

Mr. GOODWIN. Do you refer to west-bound business?

The CHAIRMAN. Yes, sir.

Mr. GOODWIN. I am not familiar with west-bound business.

The CHAIRMAN. What proportion of the east-bound business is done on the Canadian roads?

Mr. GOODWIN. The only statistics I have at hand are in this little pamphlet [exhibiting]. The shipments for the year 1888 from Chicago to New England were divided in the ratio of 40 to 45 per cent. by the Chicago and Grand Trunk, which is the Grand Trunk connection.

The CHAIRMAN. The Chicago and Grand Trunk got nearly one-half of the business.

Mr. GOODWIN. That is chiefly for northeastern New England. We have no definite statistics of the summer business.

The CHAIRMAN. It has been stated before the committee that cotton goods and other articles manufactured here in New England for shipment abroad get on to the Canadian Pacific line here and go to the Pacific Ocean over that line in preference to the American lines. Do you know to what extent that practice prevails?

Mr. GOODWIN. No, sir; I am not familiar with that branch of the business. West-bound business is entirely out of my line. There are probably gentlemen here who can speak more definitely in regard to that.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Suppose that any arrangement could be made by which the same regulation of interstate commerce as exists in the United States now could prevail in Canada, so that the Canadian roads would be brought under exactly the same condition of regulation that the American roads are, would you have any objection to it?

Mr. GOODWIN. Not at all, sir. I think that our American roads should be protected, but I do not think that they should be protected by excluding the Canadian lines, to the great detriment of New England and the Northwest.

The CHAIRMAN. No one in this country thinks of putting up a wall between this country and Canada, I suppose, to keep out the Canadian roads. The only question that we are directed to consider especially is whether there is anything that can be done, or whether anything is necessary to be done, and if anything is necessary, what it is, that will protect the American roads and stop the Canadian roads getting an undue advantage of the American roads because of any regulation we may have in this country. So that you conclude if the Canadian lines could be placed under the same regulation, by any arrangement between the two Governments, you would have no objection to it?

Mr. GOODWIN. No, sir; I would not. I think it is fair that the American lines should be protected.

The CHAIRMAN. You think something of that kind ought to be done, in fairness to American capital?

Mr. GOODWIN. Yes, sir.

OPERATIONS OF THE INTERSTATE COMMERCE ACT.

The CHAIRMAN. I shall ask you a question a little outside of the line of this investigation that we are directed to make, but still somewhat connected with it, because the whole subject runs together. What specific objections have you to the interstate commerce act as it is?

Mr. GOODWIN. As affecting New England, I have already stated one of the principal objections. Taking a larger view of the question, it seemed to me at the time the law was passed, and it seems to me now, that the tendency of the interstate commerce act is to increase through rates from the West to the seaboard. We have not built a Chinese wall around America. We are dependent on our foreign exports. We are in very close competition to-day, and it is growing closer all the time, with all the foreign cereal-producing countries. Take Indian corn, for instance. Here is the Argentine Republic, which is becoming quite a formidable competitor of the United States in the Liverpool market with respect to that. So with the Black Sea districts. If we are to continue to export our grain and wheat, it seems to me that our interstate law has to be elastic enough to meet that foreign competition. As a result we have not been able to bring grain west of Kansas City on account of the rates being too high. It has found an outlet by St. Louis and the Mississippi River.

The CHAIRMAN. In just what way has the interstate commerce act resulted in increasing rates on the long hauls on through shipments?

Mr. GOODWIN. I am not a railroad man and can not state what rates are remunerative to the railroads.

The CHAIRMAN. Is it the long and short haul clause which operates against you?

Mr. GOODWIN. I think before the passage of the law the railroads

were inclined to make such rates on foreign business as would enable their customers to meet the markets abroad.

The CHAIRMAN. Leaving out the railroads of Massachusetts?

Mr. GOODWIN. Yes, sir; I am not speaking of the Massachusetts railroads.

The CHAIRMAN. If a railroad at Chicago, for instance, is called upon to ship a thousand car-loads of corn to Boston at a given rate, and then somebody comes along and wants a thousand car-loads shipped to a point half way between Chicago and Boston, the railroad is not allowed to charge more for the latter shipment than they did for the former. That is to say, the railroad is not allowed to charge more for a shorter distance than for a longer. Now, is not that right? If the railroads were in the habit of practicing that sort of thing, charging more for the shorter distance than the longer distance, do you not think it should be stopped as a matter of protection to the people generally?

Mr. GOODWIN. I think it is a benefit to the whole country, and the Western farmers especially, that they should be enabled to move their crops for export at such rates as will enable them to compete with any foreign country.

The CHAIRMAN. Is it not equally a matter of protection to the Western farmer that he shall not be charged more generally for the shorter distance than he is for the longer? The export interest of this country is, neither in value nor in quantity, equal to the internal commerce of the country, nor nearly so.

Mr. GOODWIN. I am not aware of that, sir; but it is necessary to move the surplus of our crops out of the country.

The CHAIRMAN. But the surplus is only 5 or 6 per cent. of the total.

Mr. GOODWIN. I am aware that it is small, but we are increasing our production, and whatever the surplus is it is very desirable that it should be moved.

The CHAIRMAN. That is true, but at the same time the rights of the people as to that which is not surplus ought to be protected. The point I wanted to get at is to know just what provision of the interstate commerce act people at Boston complain of, so that if there is anything wrong in the act it can be remedied, or, if the act is entirely wrong, it ought to be repealed.

Mr. GOODWIN. As far as it affects New England, I think I have stated the principal objection, that it affects us unfavorably in competition with New York. Not only New York, but Philadelphia and Baltimore have competing lines also. Everything that comes into New England is subject to the interstate law.

The CHAIRMAN. Being subject to the interstate rules is no reason in itself why the interstate commerce law is not right. The great body of the products that come from the West, over any of the trunk lines, is subject to the interstate commerce act.

Mr. GOODWIN. Well, hardly; with the water routes in the summer time it can be easily avoided. New York has the advantage of the canal. We in Boston can not use the canal.

The CHAIRMAN. No, of course not, except as a common carrier. I suppose it is used by everybody who desires to ship over it.

Mr. GOODWIN. It is of no advantage to us to use the canal. We can bring our grain by canal as far as Albany.

The CHAIRMAN. Going back to the substantial question, you feel that nothing should be done that would so interfere with the Canadian lines as to cut off your right to the advantage you get by their competition with the American lines?

Mr. GOODWIN. Yes, sir; that is the point. I feel that no restriction should be placed upon the Canadian lines that would do away with this competition.

The CHAIRMAN. But if any regulation could be brought about that would place the roads of the United States and those of Canada upon the same level, you would not object to it?

Mr. GOODWIN. Not at all, sir; I think our American roads should be protected.

Senator HISCOCK. You would object to it if putting the Canadian roads on the same level and under the same regulation as the American roads would be to discriminate in favor of New York, Baltimore, and Philadelphia as against Boston?

Mr. GOODWIN. Certainly. I would object to any step that would cut off the competition of the Canadian roads. But I would like to have such amendments made to our own law as would loose the hands of our own roads and put them on a fair competing basis.

Senator HISCOCK. If that were done the rivalry between you and Canada is destroyed. You do not want that. Of course the argument is made, if there is any argument at all, that on the international trade between United States and Canada the Canadian roads recoup enough so that they can afford to carry through from our western points to Boston at a lower rate and give you better terms than you can get by way of New York. That is all there is of it. The question is whether you want that interfered with.

Mr. GOODWIN. It seems to me there are two ways of doing it. If the Interstate Commerce Commission are not sufficiently powerful to bring the Canadian roads into line and prevent unfair competition, then I say do not exclude the Canadian lines, but make amendments to our own law so that the American roads can recoup.

Senator HISCOCK. In other words, provide that the same recoupment can go on in this country.

Mr. GOODWIN. Yes, sir. I am not prepared to say how the law can be amended to secure that result. It seems to me that this very diversion of traffic to the Canadian lines is one of the outcomes of the interstate law.

Senator BLAIR. If you make the interstate law applicable to so much of these Canadian lines as is within the United States, why have you not done all that justice requires? Are we under the necessity of raising the cost of living to the people of New England, as a whole, by providing that a foreign jurisdiction shall enact laws for the benefit of its own corporations within its own jurisdiction?

Mr. GOODWIN. Perhaps not, sir. I think that would regulate itself.

Senator BLAIR. Do you think it is right for the people of New England to be denied the natural advantages of their geographical situation in order to protect railroad capital which is doing business and which is located in other parts of this country?

Mr. GOODWIN. I think New England is entitled to all she can gain from her geographical situation.

Senator BLAIR. The tendency of all this seems to be to make Boston, instead of being a distributing station, nothing but a local station.

Mr. GOODWIN. That seems to be the tendency.

Senator BLAIR. Why do you concede that it is fair that such legislation should be enacted or such things should be done as will increase the cost of living to the people of New England and deprive them of their natural distributing point?

Mr. GOODWIN. I think that would be very much to be regretted.

Senator BLAIR. Do you think it is incumbent upon the people of this country as a whole to so legislate as that the trunk lines, whose natural terminus is at New York or some point further south, shall prosper at the expense of the local interests of the people who live outside of their jurisdiction in New England?

Mr. GOODWIN. I do not think it is policy for this country to do that.

Senator BLAIR. Do you think it is justice?

Mr. GOODWIN. I do not think it is right that the American roads should be placed at a disadvantage as compared with the Canadian lines, but I do believe that it is but justice that New England should be protected.

Senator BLAIR. What rights have these roads to the profits of New England? We are outside of their jurisdiction. Their natural terminus is at New York or further south.

Mr. GOODWIN. We have our own lines connecting at Boston with the trunk lines.

Senator BLAIR. To be sure; and we are connecting with the trunk lines through Canada, too.

Mr. GOODWIN. Yes, sir. I claim that these Canadian roads are vitally important to keep the rates on a fair and reasonable basis.

Senator BLAIR. Suppose these Canadian lines were canals and waterways, why should we not make connection with them?

Mr. GOODWIN. I know of no reason why we should not.

Senator BLAIR. Very good. Then why should there be such legislation touching these Canadian roads as will increase the cost to our own people of transportation of goods that come through Canada?

Mr. GOODWIN. It seems to be no more than fair that if the hands of our own roads are tied that the Canadian roads be put under the same restrictions.

Senator BLAIR. But our own roads have no right to feed upon the people of New England.

Mr. GOODWIN. I think if the hands of the American roads were not tied we should get better rates from them.

Senator BLAIR. I do not know how that would be. Do you think that we had better rates before the enactment of the interstate commerce law than now?

Mr. GOODWIN. We had, at times.

Senator BLAIR. But generally speaking.

Mr. GOODWIN. The tendency seemed to be towards lower through rates year by year before the passage of the interstate commerce law.

Senator BLAIR. Then the remedy that you really suggest would be the repeal of the interstate commerce act rather than the additional application of it to roads outside of this country. Would not that increase rather than lessen the evil?

Mr. GOODWIN. I think not.

Senator BLAIR. If the operation of the interstate commerce act upon the roads of our own country has been to increase the rates to New England, would not that evil be still more increased by applying the same law to the Canadian roads?

Mr. GOODWIN. On the ground that the Canadian roads can not afford to do the business on the same basis?

Senator BLAIR. If the American roads can not do the business as cheaply under the interstate commerce act as before, how can the Canadian roads, if you apply the act to them?

Mr. GOODWIN. I have always maintained that the American trunk

lines, in holding this 5 cents arbitrary, are holding the mastery over all lines that want to come into the business and get the profit.

Senator BLAIR. And why should not the Canadian roads do business on the same ground as the American roads? You say that the effect of the interstate-commerce act as applied to the American railroads has been to increase the cost and charges of transportation to New England.

Mr. GOODWIN. That has been the tendency.

Senator BLAIR. That has been the tendency of the interstate act. Now, if you apply the same act to the Canadian roads why will it not prevent the Canadian roads from doing the business for us as cheaply as now?

Mr. GOODWIN. I think this is the most profitable business. Their New England business is more profitable than their business to New York.

Senator BLAIR. The Commission has decided that it is not.

Mr. GOODWIN. Yes, sir.

Senator BLAIR. And the Commission has decided that the interstate act as it stands and this 5-cent discrimination against New England are just things.

Mr. GOODWIN. So it would seem.

Senator BLAIR. And that increases charges to us. Now, if you apply the same interstate commerce law to the Canadian roads doing business with us, why would it not have a tendency to increase rates?

Mr. GOODWIN. Possibly it might.

Senator BLAIR. Then are you not driven to this statement that the interests of New England require the repeal of the interstate commerce law within our own territory rather than its extension to competing lines outside of our own territory?

Mr. GOODWIN. That is the position on which I am willing to stand and one I should favor.

Senator BLAIR. Then, when you say that you would like the Canadian roads and our own roads subject to the same restrictions, you mean that you would repeal the interstate commerce act and let all compete freely?

Mr. GOODWIN. Yes, sir; I think the interstate commerce law has been a disadvantage to New England.

Senator HARRIS. Do you regard the maintenance of a Canadian or foreign system of railroads in this country as an absolute commercial necessity?

Mr. GOODWIN. Yes, sir. It has developed the country, and is a commercial necessity.

Senator HARRIS. Is there any practical method by which that system can be maintained except to make the consumers of the country pay such prices as will support and maintain it?

Mr. GOODWIN. Probably not, sir; but it seems to me the rates charged are not excessive. If we had not that system of roads we would be worse off than we are and the price of commodities higher.

Senator HARRIS. Then I understand you to say that the only method by which it can be maintained in this country is for the consumers of transportation to pay such prices as will maintain and support that railroad system. Now, that being true, is it fair or proper that we should allow a foreign corporation to compete with our home roads upon terms more favorable than are extended to our home roads?

Mr GOODWIN. Perhaps not, sir; but I take the ground that our law

should be so modified that our railroads could compete with them. I am against the policy of exclusion.

Senator HARRIS. You want them to compete upon precisely equal terms, if I understand you?

Mr. GOODWIN. Before the passage of our restrictive legislation our roads were able to take care of themselves and to compete, and the consumers were certainly no worse off than they are to-day.

Senator HARRIS. Then your method of reaching the point of equality of terms would be the repeal of the interstate commerce act and to leave all roads free and without regulation, as they were before the passage of the act.

Mr. GOODWIN. Yes, sir; and looking at it from the consumers' point of view I think they would get their products cheaper.

RATES ON CANADIAN ROADS FIXED BY AGREEMENT.

Senator HISCOCK. If these differential rates are given to this trunk line through Canada, of course the American trunk lines know it just as well as you know it and the Lake Shore road knows it and the New York Central knows that you get your freight over that line cheaper.

Mr. GOODWIN. I am not claiming that we get cheaper rates; I say the competition of the Canadian roads tends to keep down the rates on our trunk lines. The rates are the same on export freight.

Senator HISCOCK. Do you not suppose that it is perfectly well understood, and more than that, that it is acquiesced in by the American lines that it should be so, and that they are entirely willing to do so, considering the sympathy between the American trunk lines and the Canadian trunk lines all the way from here to St. Paul, and all the American roads are satisfied to give them this discrimination? If our lines were not in favor of that discrimination it would result in a fight between the American trunk lines, and a reduction of rates.

Mr. GOODWIN. I understand that they are members of the Trunk Line Association.

Senator HISCOCK. Have you any doubt but that the whole arrangement is one fixed between them? Do you not know that roads attempt to regulate rates on the other roads, not by crushing them out, but by agreement?

Mr. GOODWIN, I understand that they are regulated by harmonious action.

Senator HISCOCK. By giving them a portion of the traffic rather than by resorting to a war.

Mr. GOODWIN. I understand that the railroads try to regulate rates in that way.

Senator HISCOCK. Do you know of any advantage that New England has by reason of the Canadian routes that if unsatisfactory to the American trunk lines they would not meet by reducing their rates and competing with them?

Mr. GOODWIN. I understand that they give the Canadian lines an advantage by way of agreement.

Senator HISCOCK. On west-bound they practically acquiesce as well as on east-bound freight.

Mr. GOODWIN. I am not saying that the Canadian lines give lower rates than the American lines, but they serve as a regulator. They charge the same rate, including that 5 cent. arbitrary per hundred against Boston, that the American trunk lines do. They have made

the rates at points through northeastern New England to which the American lines are bound to conform. Their rates to Boston on freight for local consumption, however, are the same as to New York.

The CHAIRMAN. You do not think that any railroad ought to extort from the shipper, do you?

Mr. GOODWIN. No, sir.

The CHAIRMAN. And that the road ought to be allowed a reasonable rate.

Mr. GOODWIN. They ought to maintain a reasonable price to enable them to support themselves and afford a fair income to investors.

The CHAIRMAN. You do not think a railroad ought to pay a secret rebate to one man and not to another?

Mr. GOODWIN. I do not claim that. That part of the interstate commerce law I admit is just.

The CHAIRMAN. You do not claim that a railroad ought to charge more for a 10-mile haul than it does for a 50-mile haul, do you?

Mr. GOODWIN. No, sir; not under similar conditions.

The CHAIRMAN. Not under the same circumstances and conditions.

Mr. GOODWIN. No, sir.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

The CHAIRMAN. The committee is now prepared to hear such gentlemen as are ready to be heard.

STATEMENT OF W. L. PUTNAM.

WILLIAM L. PUTNAM, a member of a committee representing the Board of Trade of Portland, Me., appeared.

The CHAIRMAN. You may proceed, Mr. Putnam, with your statement without waiting to be questioned by the committee.

Mr. PUTNAM. In what I have to say to you I will try to be as brief as possible.

The CHAIRMAN. You will be afforded ample time to make a full statement. We do not wish to hurry you.

Mr. PUTNAM. We are a committee of the Board of Trade of Portland, appearing here under instructions.

The CHAIRMAN. It is due to the city of Portland to say that the committee very much desired to go to that city, but we found that the funds subject to our control were so limited that we were compelled to forego visiting Portland and other cities, and asked you gentlemen to come here, feeling that you ought to be heard on this question before we concluded our hearings. That is our apology and explanation for not visiting Portland as a body.

Mr. PUTNAM. We are much obliged to you, and I think we will arrange for you to visit Portland before we get through, notwithstanding your shortness of funds.

We appear here, as I said before, as a committee of the Board of Trade of Portland, and what we have to say is in reference to the closing paragraph of the resolution under which you are sitting. I have in my hand two sets of resolutions of the Board of Trade, one passed March 3, 1888, and one passed a few weeks ago. I will not read them, but simply ask the stenographer to put them in the record.

The resolutions are as follows:

RESOLUTIONS BY PORTLAND BOARD OF TRADE.

BOARD OF TRADE ROOMS,
Portland, March 3, 1888.

At a full meeting of the Board of Trade of the City of Portland, Me., the following preamble and resolutions, which were presented at a former meeting, and laid over for publication in the daily newspapers of this city, were adopted:

Whereas interested parties are urging Congress to enact such legislation as will practically prohibit the transportation of merchandise through Canada, between the New England States and the West, and thereby close up two great railroad routes, over which grain freights and other breadstuffs are brought to New England, in competition with other trunk-lines; and

Whereas the Dominion of Canada has for many years permitted the carriage of Canadian merchandise in bond through the territories of the United States to points and ports within the Dominion of Canada, by means of United States railroads, under similar restrictions as those now imposed concerning the carriage of American products over Canadian railways; and

Whereas the now existing facilities and privileges for the carriage of freight are and should be in keeping with the advanced state of international comity and commercial progress existing between the United States and foreign countries; and

Whereas notwithstanding great natural obstacles which during the winter months substantially shut up the ports of Canada, the Canadian routes to the West afford favorable facilities for the transportation of the immense grain products of the West to the sea-board, and especially are suitable to the transportation of dressed meats and other merchandise requiring a cool climate, and have for many years past been carrying a very large amount of merchandise to Portland, Boston, and other sea-ports on the Atlantic coast; and

Whereas the facilities afforded by the Government for the transportation of such merchandise through Canada in bond, whereby such transportation is made possible, has proved highly beneficial to the western producer by affording a market for his grain and breadstuffs, and to the eastern consumer by affording him cheaper provisions and necessaries of life, and has greatly aided in the building up, not only of the West, but of the New England States and cities, and has given new impulse to business enterprise, and enlarged and sustained the commercial undertakings of both sections of the country; and

Whereas the cities and business centers of the State of Maine, and especially the city of Portland, have for many years experienced the benefits growing out of the facilities afforded by the Grand Trunk Railway of Canada for the transportation of breadstuffs, woods of all descriptions coming from Kentucky, Tennessee, and other Southern and Western States, and transshipped from Portland and the Atlantic seaboard to other countries, salted provisions, and other merchandise to and from the West, at reasonable rates; and

Whereas the said Grand Trunk Railway has at all times so regulated freight and rates of transportation as to prevent the possibility of monopoly by other trunk-lines to the West, and has added greatly to the commercial growth and prosperity of this city and State; and

Whereas the Canadian Pacific Railway has just opened up a new route extending across the continent, and connecting the Pacific coast with the New England States and maritime provinces of Canada, and has made railroad connections with Minneapolis and other points in the West, whereby the commercial prosperity of both sections of the country promises to be greatly advanced; and

Whereas the hostile legislation sought will not only cut off these facilities for trade and commerce, but will operate in a great measure to prevent all interchange of commodities between the two adjoining countries, thereby depriving New England and the West of a market for their products, and interrupting the present condition of commercial good feeling existing between the United States and Canada, and tend to destroy the commercial relations which are alike beneficial to both: Therefore, be it

Resolved, That this Board protests against the enactment of any legislation which will deprive our citizens of the facilities for transportation of breadstuff and other manufactures now offered by these great commercial highways through Canada and between the Atlantic sea-board and the West, and especially protests against any amendment of existing laws for the purpose of throwing obstacles in the way of such transportation, and against the withdrawal of the privilege of carrying merchandise of the United States in bond through Canada as now practiced, and against any action which will tend to obstruct or destroy competition in the transportation of such merchandise, and thereby build up monopolies to the detriment of the cities and com-

mercial interests now receiving the benefits of free and unobstructed transportation to and from the West over Canadian railroads.

Resolved, That a copy of these resolutions be sent to each member of the United States Senate and House of Representatives from the State of Maine, and one copy to the honorable Chairman of the Senate Interstate Commerce Committee.

Whereas the committee of which Senator Cullom is chairman is appointed to meet in New York May 3, in accordance with the spirit of the following:

Resolved, That the Committee on Interstate Commerce be, and is hereby, directed to ascertain and report to the Senate whether any railroad lines located in the United States are owned, operated, or controlled by the Grand Trunk Railway or any other Canadian railway corporation; whether commerce originating in the United States is diverted from American to Canadian lines of transportation, and if so, to what extent and by what means; and whether there is any discrimination in the charges made for tolls or otherwise against American vessels which pass through the Welland and St. Lawrence Canals.

Said committee is further directed to inquire fully into the question of the regulation of commerce carried on by railroad and water routes between the United States and the Dominion of Canada, and to report what legislation on the subject, if any, is necessary for the protection of the commercial interests of the United States, or to promote the act to regulate commerce, approved February 4, 1887.

Now, therefore, be it

Resolved, That this board protests against the enactment of any legislation which will deprive our citizens of the facilities for transportation of breadstuffs and other manufactures now offered by our great commercial highways through Canada and between the Atlantic sea-board and the West, and especially protest against any amendment of existing laws for the purpose of throwing obstacles in the way of such transportation and against the withdrawal of the privilege of carrying merchandise of the United States in bond through Canada as now practiced, and against any action which will tend to obstruct or destroy competition in the transportation of such merchandise and thereby build up monopolies to the detriment of cities and commercial interests now receiving the benefits of free and unobstructed transportation to and from the West over Canadian railroads.

Resolved, That Capt. J. S. Winslow, Charles J. Chapman, George P. Wescott, Charles R. Milliken, John W. Deering, Nathan Cleaves, George S. Hunt, Woodbury S. Dana, John Q. Twitchell, George Walker, Payson Tucker, Theodore C. Woodbury, S. W. Thaxter, M. N. Rich, Seth L. Larrabee, Phillip H. Brown, William L. Putnam, D. W. Clark, John M. Adams, and Holman S. Melcher be hereby appointed to present these resolutions and in behalf of this board to make such further representations before Senator Cullom's committee as may seem necessary to prevent the recommendation of any measure to Congress tending to interrupt our present commercial relations with Canada.

TRANSPORTATION IN BOND THROUGH CANADA.

Mr. PUTNAM. The Board of Trade, and I may say the whole city of Portland, and I will go further before I get through, is opposed without any reservation to any legislation whatever which directly or indirectly will interfere with the present bonding system of doing business over the Canadian roads, under any excuse or pretext whatever. The real position can not be stated too strongly, and I will say that we speak with no hostility whatever to the American roads. In fact, gentlemen like myself, who have as large interest in our domestic roads as any one, do not concur in anything of that kind. But we do not admit that this system affects the position of American roads in any regard whatever.

The CHAIRMAN. State, for the purpose of putting it in the record, what this bonding system is.

Mr. PUTNAM. It is difficult to state it. It is partly a growth of a certain custom-house practice, and partly a growth from a system of legislation that commenced in 1854, and partly from the construction of customs regulations. The first act was passed in 1854. If I should undertake to go through the whole subject I would take too much of

your time. I can give you, if you desire, at the close of what I have to say, a list of the statutes pertaining to this matter. I have been compelled recently, as counsel for the New England roads east of here, to get up this data and I can give it to you.

Senator HARRIS. You can tersely state the methods that are being adopted under those regulations, can you not?

Mr. PUTNAM. I proposed to state what is being done practically. But to undertake to explain the system would require a statement of custom-house proceedings, which is very complicated and would require too much elaboration and take too much of your time. I will submit to the committee at the close of my remarks what I think are the statutes bearing on this subject.

The CHAIRMAN. That is what we would like to have.

Mr. PUTNAM. What I have to say is merely historical.

In the forties Portland was a small city of sixteen thousand inhabitants, and they undertook to open a route from Portland to Montreal, and, after great efforts, succeeded in pushing the thing through. That was the opening of the Grand Trunk system, but fortunately the Grand Trunk took it off our hands or we should have been crushed entirely. The Grand Trunk took it from our hands, and has faithfully performed its obligations. So far as we know the Grand Trunk is a road that keeps its obligations in all directions, although we complain that they are governed by a good deal of red tape and are therefore slow.

In 1858 the system commenced of through billing to Liverpool over the Grand Trunk road from points in Canada and points in the West. I suppose the system as originally commenced was a somewhat expensive and laborious and troublesome one, as it had to be done under the old laws providing for warehousing for the purpose of exporting. But it commenced at that time, and since then it has been constantly growing, Portland being the winter port of the various Dominion lines of steamers. Take the last season for instance. We had one or two steamers a week during last winter. It takes a good deal of our water front, a large part of our people are occupied thereby, and in many ways it is an important interest to us, and many minor interests have grown up from it.

Any disturbance of the existing system would destroy us, and so far as that is concerned we are contesting with the Government of the Dominion of Canada at all times. The whole political force of the Dominion of Canada is thrown in favor of the port of Halifax, especially as against Portland, and she has taken in some portion of our business, although this last winter it has come back to us.

If the action of this committee or the action of Congress is adverse to the bonding principle, in so far as it is adverse to that this committee and Congress act hand in hand with the Canadian Government as against the city of Portland. That, however, is perhaps of minor interest, because by the aid of the Grand Trunk road our city has become a billing point, and we receive, as we are entitled to receive, Western products at Portland at the same rates they are received at Boston. So long as the Grand Trunk road is kept open and permitted to do its business as it does to-day, we shall undoubtedly be able to maintain ourselves as a billing point. Other points in Maine are billing points, and the number of points going east will rapidly be increased. Of course that is an important matter for Portland, and it is an important matter to the whole State of Maine.

We have roughly gone over the amount of Western products received in the State of Maine from the West and Northwest, and we make it

equivalent to about 2,225,000 barrels of flour; not 2,225,000 barrels of flour received, but the whole amount of Western products, including grain and beef and all other Western products, received in Maine annually is equal to about 2,225,000 barrels of flour.

Now, we in Maine all know perfectly well that the moment the Canadian roads are interfered with—the moment this bonded business is obstructed—the arbitrary rate that will be put upon us will be not less than 10 cents a barrel, costing the people of Maine $225,000 a year, which we can not very well afford, besides breaking up the business at the ports of Portland, Bangor, etc., the leading billing points of the State.

PORTLAND'S LINE TO CANADA.

To show what the purpose of the people was, following out the policy that was outlined by the opening of the Portland and St. Lawrence Railroad in 1849, and for the purpose of making sure that they would maintain their position with reference to western freights, and for extending and increasing the business of exporting from their port, they commenced the construction of a line from Portland through the White Mountains, running across the State of Vermont, looking to a connection with the lines then in contemplation through Canada, which have since crystallized into the Canadian Pacific Railroad.

I know the purpose of our people in that matter. I learned that while we were endeavoring to reach certain points in New England. Our main purpose was to make sure that we held ourselves firm as a billing point, and that we were able to increase our export trade to Europe. The city of Portland, in its municipal capacity, some twenty years ago, invested in that property about $2,020,000. It has lost the interest on that investment and received lately what amounts to $1,000,000, which makes, saying nothing of the investment of citizens of Portland, over $3,000,000 for the purpose of securing a more complete western connection through Canada. So we are reaching the whole Canadian Pacific by that line, and we are thus doubly guarded by the exertions of this small city, and we feel that we have there made an investment for the purpose of securing to ourselves this route through Canada, which is as much entitled to be protected by the United States as any investment which our citizens have made on our side of the line.

PORTLAND'S POSITION.

The city of Portland is farther west than the city of Boston; that is, to reach the extremes of our State, and those extremes are among the most important, it requires from 150 to 500 miles less carriage than to Boston, and if these Canadian lines are broken up, by which we rightfully and naturally reach the West as cheaply as Boston can, and almost as cheaply as New York, and you will understand, Mr. Chairman, we are as near to the Northwest as New York, we are placed at a disadvantage to which we think we ought not to be placed.

We apprehend that any interference whatever with these present routes, under any pretense, by any action, direct or indirect, will lose us the advantage of our investment, made as a municipality; will be an injury to the State of Maine, and subject every man in the State of Maine who uses a barrel of flour or any other Western product to an arbitrary rate of at least 10 cents a barrel, if not more. We think that we have made an investment for the purpose of securing these advantages in which we are entitled to be protected.

Now, gentlemen of the committee, there are here Mr. Wescott, Colonel Adams, Mr. Thaxter, Mr. Dana. These gentlemen understand practically all these commercial questions, which I do not assume to understand. My friend, Judge Cleaves, is also here, and has a special message for the committee.

The CHAIRMAN. Have you been before the Interstate Commerce Commission?

Mr. PUTNAM. I have been before the Commission on several occasions, but not with reference to this question at all, although I have been compelled to follow it very closely on account of my connection with the railroads in the eastern part of New England.

HISTORY OF THE BONDING SYSTEM.

The CHAIRMAN. Can you give us the laws under which this practice has grown up?

Mr. PUTNAM. The first act seems to have been that of 1854, now Revised Statutes, section 3,000, which provided for transportation in bond of imported goods from a port in the United States to another port in the United States, partly by land and partly by water; likewise over foreign territory.

That act looked to what is called more particularly bonding for immediate transportation, but permitted the transportation through Canada, and it is under that statute and the old warehouse statute that this business in Portland has grown up. I think I am quite right in saying that the business of billing through originated over the Grand Trunk road to Portland. I may not be entirely right about it, but I think it is so.

Next is the act of 1866, now Revised Statutes, 3,005, providing for the transportation of merchandise arriving at New York, Boston, Portland, or other ports specially designated by the Secretary of the Treasury and destined for places in the British Provinces.

This furnished a simple method for the old cumbersome method of withdrawing goods from the warehouse for the purpose of re-exportation.

The same act of 1866, now Revised Statutes, section 3,006, provided for transporting from any port in the United States, through Canada or Mexico, to another port in the United States.

This enlarged the provisions of the act of 1854, section 3,000 of the Revised Statutes, which applied only to merchandise withdrawn from bond.

Of course this section 3,005 above named, under the authority of the Secretary of the Treasury to designate ports, permits goods to be carried in transit from one part of Canada to another part of Canada through any part of the United States.

Then came the act of March 1, 1873, now Revised Statutes, section 2,866, under the treaty of Washington, which authorizes the transit through the United States of merchandise from one part of Canada to another part of Canada, and also from Canada through the United States for export.

This was to remain in force as long as article 18 to 25 of the treaty remained in force.

Treasury regulations of 1884, articles 845 to 862, inclusive, seem to relate to the transit of merchandise under the laws existing prior to the treaty of Washington.

Articles 707 and sequence expressly refer in the margin to the act of 1866, and article 845 of the regulations of 1884 is a re-enactment of

this article 707, by which articles of merchandise are now carried across from one point in Canada to another point in Canada through our territory.

Article 863 of the Treasury regulations relates expressly to the transit of merchandise through the United States under the treaty of Washington; and article 844 seems to have been made under the treaty of Washington, as it was expressly suspended for that reason by Mr. Manning, when Secretary of the Treasury.

That, as you recollect, permitted the carrying of merchandise from one point in the United States to another point in the United States partly in Canadian bottoms across the lakes, and so far as I know and can ascertain that is practiced to-day in reference to all these matters, either of transporting merchandise from a point in the United States, through Canada, to another point in the United States, or from a point in the United States to a point in Canada; or from a point on the Atlantic to a point in Canada: or from a point in Canada, through the United States, for export. In fact, all forms of transit are as free to-day as they were under the treaty of Washington, except that Secretary Manning decided that from the time those articles of the treaty expired merchandise bound from a Western point in the United States to another point in the United States could not be carried partly in a Canadian bottom across the lakes.

My friend Judge Cleaves is surveyor of the port of Portland, and can give the committee more information on this subject than I can.

The CHAIRMAN. Is it your opinion that those laws ought to be overhauled and made more definite and plain to the executive officer as to what his duty is under them, so as to get rid of instructive orders from the Secretary of the Treasury?

Mr. PUTNAM. I think there might be some codification of the laws, though I do not understand that there is any practical difficulty at the present time at the custom-house. I have lately seen some orders from Washington which seemed to indicate that there was no trouble whatever; I have been compelled within a few days to make inquiry at the custom-house at Portland, and I find there is no difficulty. I admit, if a person sat down to study the law that in consequence of the suspension of the articles of the treaty of Washington he might find the law obscure, but there seems to be no practical trouble.

The CHAIRMAN. When the general subject was under discussion in the United States Senate in connection with the fisheries treaty it was with great difficulty that I was able to determine just what the law was, or that I could find anybody who could tell me.

Mr. PUTNAM. I agree with you that for one to take the law and undertake to understand it from the statutes and the regulations he would become very much puzzled; but the customs authorities seem to have no difficulty with reference to it.

One thing is very plain, and that is that certain practices have grown up under the treaty of Washington which were never authorized by the statute. The Treasury Department at Washington when the treaty was ratified issued their regulations in conformity with the treaty. A portion of the provisions of the treaty was covered by the statute and other portions were not, and it is not impossible that to-day a certain amount of bonded business is being done under section 2866 which, on close inspection, may be found not to be in force.

The CHAIRMAN. That was my impression, that some of the regulations of the Treasury Department were based upon old statutes which possibly had been repealed.

Mr. PUTNAM. That is not more than possible, and I agree with you that the statutes are obscure; but we are very desirous that you shall not, if you touch the statutes at all, hamper the business as it is now conducted.

REGULATIONS OF THE CANADIAN ROADS.

The CHAIRMAN. Do you suppose, leaving out all this question of bonded business with respect to the ordinary commerce which is carried on now by the trunk lines in the United States and in Canada, if the Canadian roads were put upon the same level and under the same regulation as the American roads that that would in any way interfere with your interests?

Mr. PUTNAM. I can not say about that.

The CHAIRMAN. The specific point I have in mind is this. The interstate commerce act is in force in the United States so far as it is obeyed. I do not know how nearly it is obeyed. The railroads in the United States complain that they are subject to regulation in this interstate commerce, while the Canadian roads doing business in the United States are not, and that therefore the American lines are at a disadvantage, and that it is unfair to them that they should be regulated while the Canadian lines are not. Now, if the Canadian roads and the American roads were all put upon the same level, do you suppose you people in New England would suffer from it?

Mr. PUTNAM. I do not care to answer a contingent question. I have carefully read everything that has been said upon this point, and I have yet to see a particle of proof to sustain the position taken by the Michigan Southern upon that point. I am morally certain that the Canadian roads have not recouped in any sense of the word as against the long and short haul clause. I do not believe they can. I do not believe they can collect on local fares and freight in Canada one cent more than they collect to-day at any point.

The CHAIRMAN. Suppose the Canadian roads make a shipment from their western terminus to Portland at a given rate, do you suppose that they observe the provisions of the interstate commerce act, as enforced in the United States, on that shipment?

Mr. PUTMAN. Not on their local shipments in Canada.

The CHAIRMAN. Do you suppose they observe the law as to through shipments in the United States?

Mr. PUTMAN. Yes, sir.

The CHAIRMAN. Do you know whether or not the Canadian roads make their rates very much higher from the western terminus to Montreal, for the same distance, than our American roads do?

Mr. PUTMAN. No, sir; not to Montreal. There is one of the dangers. If the Congress of the United States undertakes to meddle with these Canadian roads, they are going to turn the traffic from our ports to Montreal; they are not going to give the business to the American roads, but they are going to give it to the Canadian roads. The American Congress will play into the hands of Sir John MacDonald; they are going to give it to the Canadian roads if they attempt to meddle with this question.

THE AMERICAN ROADS NOT SUFFERING.

The American roads are not suffering. There are four lines to San Francisco to-day, and two more are being built. Possibly three new roads to San Francisco may be built. This overbuilding results in railroad fights which are very expensive to the entire country.

A few years ago a Boston corporation built a line from St. Louis to Chicago, a line good in itself, but a line which invited competition with the whole Jay Gould system the moment it was built. The stock of that company was above par at one time, and now it sells for less than 40. The American roads do not need protection from the United States. They want to look after themselves. They are not suffering from the Canadian roads, but from the American roads.

The CHAIRMAN. From what are the American roads suffering?

Mr. PUTNAM. From the American roads. Why, it seems absolutely absurd! The Union Pacific road, which has received more aid from the Government of the United States than the Canadian Pacific has received from the Canadian Government, comes in here and complains of the Canadian Pacific. It is to-day building a new line to southern California. There are already four lines from the Missouri River to the Pacific coast. The Union Pacific is building one more, and two other lines are surveying and getting through to the Pacific coast as fast as they can.

The CHAIRMAN. So that your judgment is that neither the Canadian Pacific nor the Grand Trunk is interfering with the business of the American roads as much as their own folly?

Mr. PUTNAM. Yes, sir. The difficulty is among the American roads themselves.

PORTLAND'S CONNECTION WITH ST. PAUL.

However that may be, we desire that our investment, which is as dear to us as these investments in Western roads, should be protected; at any rate, not destroyed. We simply ask that this system, which has a prescription now of thirty years, shall not be disturbed. We are as near St. Paul to-day as is New York, by rail; we will be in December, at least. We are to-day within 30 miles as near St. Paul as is New York.

The CHAIRMAN. Describe the specific route.

Mr. PUTNAM. We run from Portland to St. Johnsbury, from St. Johnsbury to Newport, where we strike the Canadian Pacific; follow the Canadian Pacific to "the Soo," and from "the Soo" we strike St. Paul or Duluth. We are to-day within 30 miles as near St. Paul as is New York City. As soon as this little link is built——

The CHAIRMAN. What link do you refer to?

Mr. PUTNAM. Simply a little link up in the mountains, which brings us within 10 miles as near St. Paul as is New York. That little link is in Canadian territory, and we have opened that road at an expense of $3,000,000 to the corporation of Portland.

The CHAIRMAN. How many miles of that road are in your own State?

Mr. PUTNAM. Only about 6 miles.

The CHAIRMAN. Then it strikes Canadian soil?

Mr. PUTNAM. No, sir; it strikes New Hampshire, Vermont, and then Canada.

The CHAIRMAN. How much of the line is within the United States?

Mr. PUTNAM. One hundred and sixty miles.

The CHAIRMAN. What is the route to Duluth?

Mr. PUTNAM. We go right down to "the Soo."

The CHAIRMAN. By rail?

Mr. PUTNAM. Yes, sir, by rail, and then take the "Soo" line.

The CHAIRMAN. Can you give the distances?

Mr. PUTNAM. I believe these figures are correct, but I have not verified them myself, so that I only give them on my belief.

By the "Soo" route from Minneapolis to Boston it is 1,420 miles; to New York, 1,373 miles; to Portland, 1,392 miles. By the Grand Trunk it is 140 miles farther.

I should like to put into the record in this connection an extract from the remarks of Governor Washburn, delivered to the city authorities of Portland, in connection with this enterprise in 1872, and this meeting was what led to this investment of which I speak. The extract will be found on pages 13 and 14, and I think any one who reads that part of the record will be surprised to see how prophetic Governor Washburn was in this instance.

The extract is as follows:

But this is not all. Preparation is being made for constructing in Canada a great road called the Northern Colonization Road, of which Sir Hugh Allan is president, and I have no doubt, from what I read in the Montreal papers, that work upon the line is to be vigorously and speedily prosecuted. It is to pass up on the north side of the Ottawa River to Ottawa, through to Pembroke, and finally by Lake Nepissing to the Sault Ste. Marie. A road from Toronto will ultimately connect with it near Lake Nepissing. This line will form a part of the Canada Pacific Railroad, if such shall ever be built, which is, I think, a matter of considerable doubt. But there is to be a Northern Pacific Railroad upon our side of the line, if not upon the other. It is now in the process of construction, and the work is moving with vigor and rapidity.

When in the West, a year ago last fall, I met Mr. Rice, of St. Paul, formerly a Senator in Congress, and now president of a railroad being constructed from St. Paul eastward towards Sault Ste. Marie, and which it is intended to reach. He said it was an easy road to construct, and that there is no difficulty in constructing a bridge across the Sault.

If you will take a map of the United States you will find that when this great line is completed, of which our line will form the base, the distance between St. Paul and Portland will be 400 miles shorter than it is to-day by the shortest line. The freight from that line must always come to Montreal or Ottawa, and therefore it will always be shorter to come to Portland to reach the sea-board. This great fact is one that can not be flanked or got rid of; it is a fact written by the geography of the country; it makes Portland forever nearer to the true Northwest than any other port on the Atlantic.

If a man in Minnesota wishes to come to Boston or Portland now by railroad he must come around Lake Michigan and through a part of the State of Indiana. But when these lines, in continuation of our own, are completed he can come by rail directly to Portland, and with a saving of some 400 miles travel.

Now, what is there for us after that country is open? Why, it is the greatest grain-growing region on the earth. Take the great and prosperous State of Minnesota, take northern Iowa, Dakota, the Red River region, and it forms the largest and best country for wheat that the sun shines upon. It is settling rapidly. Minnesota has gained over 300,000 people in the last decade. The Northern Pacific Railroad, with its vast connections extending through many States, must have an outlet by way of Montreal, and when its traffic reaches Montreal it will come to Portland over this road or the Grand Trunk, or both.

DIVERTING BUSINESS TO CANADIAN PORTS.

Mr. PUTNAM. My point simply is that we are entitled and the whole State of Maine, under the circumstances, is entitled to this protection. We do not think we ought to be subjected to this arbitrary, which, as I say, will cost the State of Maine at least $225,000 a year, besides throwing lines of steam-ships which now go into and out of Portland into Canadian ports.

Senator REAGAN. Do you understand that anybody desires legislation that would interfere with the interests of the roads through Maine or New England?

Mr. PUTNAM. Yes, sir; I do. I know there is a very strong tendency in that direction. The Portland Board of Trade understood—perhaps

improperly, but they certainly so understand—that these resolutions tended in that direction. Of course we know perfectly well that there is a strong interest to break up the whole system of Canadian roads.

Senator REAGAN. If such action were taken by this Government as would place the American roads on an exact equality with the roads running through Canada—the Canadian roads—would that be objectionable?

Mr. PUTNAM. Yes, sir; I think it would.

Senator REAGAN. In what respect?

Mr. PUTNAM. I think the Canadian roads would then take the traffic which they now bring to Boston and Portland and put it through their own ports.

Senator REAGAN. If the Canadian roads were simply compelled to act on an equality with the American roads?

Mr. PUTNAM. Yes, sir; that is, if it proved to be a burden upon them.

Senator REAGAN. If they are disposed to turn over the traffic in the way you have described, would it not be to their interest, their connections being completed, to go to St. John or Halifax?

Mr. PUTNAM. It is for the interest of the present Dominion Government—what you may call the "present Dominion Government," as they call it down there, the Tories as against the Grits—to turn all this traffic on to the Canadian roads. They are political roads. But no road desires to do it. The Grand Trunk desires to keep the traffic as it is. The Canadian Pacific road is like any other railroad, it to-day may be under the thumb of the Canadian Government, but its managers are largely Americans, it is largely owned on this side of the line. Unless it is forced by the Congress of the United States, in connection with the present Dominion Government, it will not change the present plan of doing business.

Senator REAGAN. Do you understand that there is a subsidized line of steamers belonging to the Canadian Pacific running between Vancouver and China and Japan?

Mr. PUTNAM. I think their line from Vancouver is on. The Government has lately made a contract to subsidize a line of steamers from Halifax to Europe.

Senator REAGAN. Does not that all mean that the Canadians intend to turn their traffic through their own territory without reference to the United States?

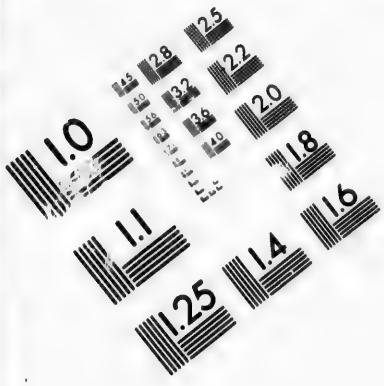
Mr. PUTNAM. It means that the Canadian Government intends to do that if it can, and we do not want you to help them do it. The Canadian lines run in and out of American ports in winter. The Canadian Government has tried to divert them from those ports, and can not succeed without the aid of the American Congress. With our aid they can do it. We do not fear that any Senator is disposed to break up by direct and open action the present bonded system of transportation. What we do fear is that it is necessary to do something to protect the American roads against Canadian competition, and that some action will be had of an indirect character, the effect of which is remote and not seen by Senators, but which will have that effect.

The CHAIRMAN. To drive the Canadian roads out, you mean?

Mr. PUTNAM. Yes.

The CHAIRMAN. And to divert the trade to their own ports?

Mr. PUTNAM. Yes, sir. A year ago this season the Canadian Government did succeed in getting the steamers in the port of Halifax.



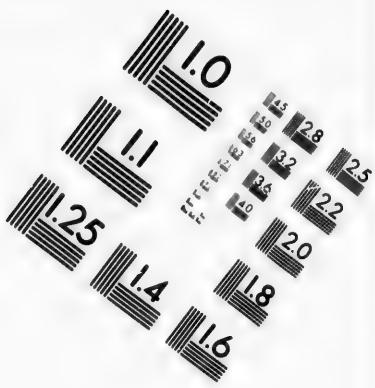
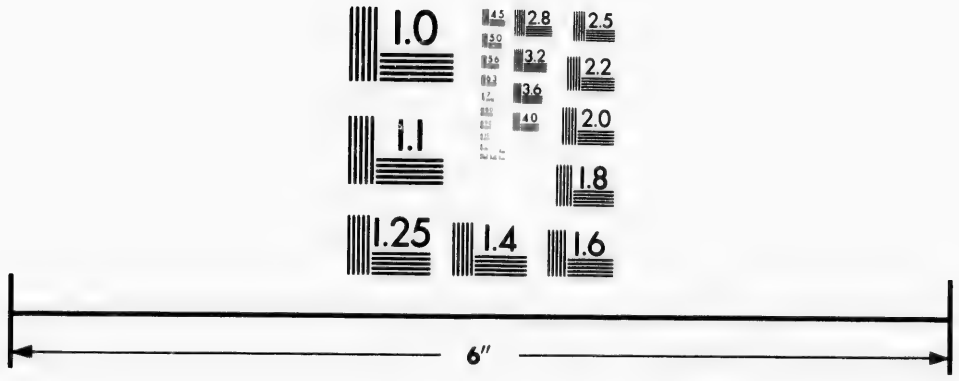
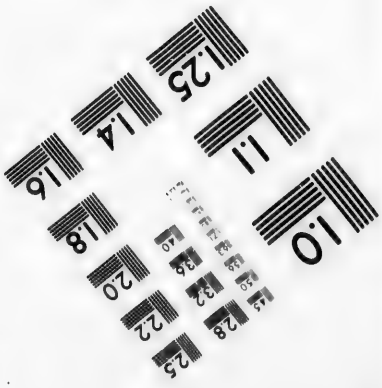


IMAGE EVALUATION
TEST TARGET (MT-3)





Photographic
Sciences
Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

2.8
3.2
2.5
2.2
2.0
1.8
1.1
1.0

One day there were three steamers at the port of Halifax and they transported in one day two or three thousand passengers. This last winter those steamers came back into our port. They could not and can not maintain themselves up there unless you help them.

Senator REAGAN. Would not the open seas for a long period during the year naturally draw the commerce to Portland rather than divert it from there?

Mr. PUTNAM. Yes, sir.

Senator REAGAN. On terms of perfect equality?

Mr. PUTNAM. Yes, on terms of perfect equality, if let alone. A large portion will come to Portland and thence to Baltimore, unless that trade is forced out of its natural channels by legislation on the part of the Dominion of Canada or the United States. Of course Canada has opened a short line through Maine with a view to forcing this business from our ports. It does not seem to be understood that they already have two completed lines from St. John to Halifax on their own territory.

The CHAIRMAN. Describe those lines.

Mr. PUTNAM. She has the Intercolonial Line running from Point Levi, opposite Quebec, along what is called the north shore, up where your friend, Senator Frye, goes to catch salmon. He is telling big fish stories now in Maine. Then the line follows around the Gulf of St. Lawrence. That is the line on which they did their business heretofore. Then they have a weak line, but which is capable of being made a strong line, down through Edmonston and connecting with the New Brunswick Railway and down through St. John and Halifax.

Senator BLAIR. Which is the strong line?

Mr. PUTNAM. The upper line.

Senator BLAIR. What will be their terminal point in Maine? Has not the Canadian Pacific a project to build up a port on the coast of Maine?

Mr. PUTNAM. They disclaim it if they have, but in fact the Canadian Pacific has a port here. They are shipping an immense quantity of merchandise here, and there is a good deal of its traffic that comes into Portland over the Portland and Ogdensburgh Line down through Newport. They have through passenger lines through there, and a good deal of freight comes down there.

Senator BLAIR. I was not in when you began your statement, and you may have suggested to the committee legislation that would be hurtful and of which you are apprehensive. If you have not, what legislation do you think Congress might be apt to indulge in that would be injurious to the State of Maine?

Mr. PUTNAM. We think that inasmuch as the business is being done on so close a margin as it is to-day that any legislation, direct or indirect, which can possibly affect this bonded business will be injurious to Portland and to the whole State of Maine. Anything that blocks up those lines puts us on arbitrary rates, and of course there is nobody who supposes that the arbitrary rate for Maine would be less than 10 cents, which will cost us, as I have shown members of the committee, about $225,000 annually. There are other gentlemen here who are familiar with these practical details, which I am not.

STATEMENT OF GEORGE B. WESCOTT.

Mr. GEORGE B. WESCOTT, a member of the committee from Portland, appeared.

The CHAIRMAN. Where do you reside, Mr. Wescott?

Mr. WESCOTT. Portland.

The CHAIRMAN. What is your business?

Mr. WESCOTT. I am president of the Portland and Rochester Railroad.

The CHAIRMAN. If you have any views to present to the committee you may proceed to give them in your own way.

Mr. WESCOTT. I came here for the purpose of re-enforcing, if possible, the statements that Mr. Putnam made regarding the bonding system through Maine and New England, and to impress, so far as possible, upon the committee the importance of the continuation of that bonding system to our State. I have been connected with transportation interests in New England for some twenty years, and I believe that other lines, that some other bug-bear beside the Canadian lines, the great trunk lines running to the sea-board, for instance, would be quite as great an obstacle as the Canadian lines to-day.

The CHAIRMAN. What are the connections of your road?

Mr. WESCOTT. We are a part of the Boston and Maine system now. Originally we tried to build a line from Portland to Worcester, Mass., and to make it a line from the South to transport through the Pennsylvania Railroad and its connections into Maine. Of course we were sidetracked and became a part of the Boston and Maine system.

But I come here as a citizen of Portland, and represent Portland and not the railroad, and only to give you, from my experience for many years past, what the practical operation of the bonding system has been.

The CHAIRMAN. So that you want to approve of what has been said by Mr. Putnam, namely, that any interference with the present state of affairs would be injurious to Portland and your State?

Mr. WESCOTT. Yes, sir; to the whole State of Maine.

The CHAIRMAN. Do you think, if it could be done and an attempt were made to put the Canadian roads upon the same basis and under the same regulations as the United States roads, that it would interfere in any way with the interests of your State?

Mr. WESCOTT. I have this idea, that in order to make it a practical question, if we could consolidate the different systems of roads into two systems, one in Canada and one in the United States, with one head to the Canadian system and one head to the American system, we all would have a system we could live under; but when you put in a third system I think the third demoralizes the entire system.

The CHAIRMAN. What do you mean by the third?

Mr. WESCOTT. I believe in consolidating all the roads in the United States into one system, and if they make enough money they will build up another system, and then we go back to the position we are in to-day. Legislation will not affect things unless you stop the building of railroads and put all the roads here under one management. It seems to me that is the practical way of settling the question.

The CHAIRMAN. What you want, then, is to let everything remain as it is?

Mr. WESCOTT. That is about the size of it.

The CHAIRMAN. Do you not anticipate that in the course of time, and

probably very soon, the drift of affairs in Canada will be such as to make it the policy of that government, without any reference to the action of the United States, to keep on its own soil the transportation of all its foreign shipments?

Mr. WESCOTT. I think that is the tendency, so far as I have observed.

Mr. PUTNAM. The present policy of John MacDonald is a Canadian system. He is liable to go out at any time and the Grits come in, when the policy will be reversed.

The CHAIRMAN. Who do you call the Grits?

Mr. PUTNAM. They are the Outs. I suppose they correspond with us Democrats in this country.

The CHAIRMAN. Are they the Grits in this country?

Mr. PUTNAM. They are the Outs; that is sufficient.

The CHAIRMAN. It seems to me that with the method that the Canadian Government has already adopted of subsidizing their railroads and their steam-ship lines on the west coast as well as on the Atlantic, the inevitable result will be that they will take care of their commerce on their own soil and keep to their own ports.

Mr. PUTNAM. Then our roads can not complain.

The CHAIRMAN. I make that suggestion because it seems to me that it is drifting in that direction without any reference to the action of our Government.

Mr. PUTNAM. They never can do it in the world unless they are helped from this side of the line.

The CHAIRMAN. You gentlemen of course understand that we are making inquiry to gain information and not with a purpose of expressing any programme on the part of this committee or the body it represents.

Senator BLAIR. Even if the export trade of Canada went over Canadian soil and out through Canadian ports, is it not still true as to her as well as to us that the domestic trade of the two countries with each other is vastly of greater importance, and prospectively so, than the Canadain export trade?

Mr. PUTNAM. I think the Canadian export trade is about the same as the United States. I think of all their exports about half come to the United States.

Senator BLAIR. I do not make myself understood. By export trade I mean to Europe. Necessarily her export trade to the United States would have to come to the United States under any circumstances, would it not?

Mr. PUTNAM. Of all her exports about half come to the United States.

Senator BLAIR. So that if one-half of her trade is with the United States a policy that would exclude her traffic from the United States would be injurious to her to that extent, would it not?

Mr. PUTNAM. That is my opinion about it, but at the same time I can not say what they have over there.

Senator BLAIR. I am thinking of the damage to the two people by anything that breaks up the interchange of their traffic, and I understand you to say that any legislation that will lead to the exclusion of the Canadian line will be injurious to Portland and the State of Maine.

Mr. PUTNAM. Yes, sir.

Senator BLAIR. That means non-intercourse.

Mr. PUTNAM. Certainly.

Senator BLAIR. And the result of that non-intercourse is not as to

the export trade alone, but both countries will suffer from the loss of their interchangeable commerce.

Mr. PUTNAM. Certainly.

Senator BLAIR. And as Canada develops and becomes a great nation we would feel it more and more, would that not be so?

Mr. PUTNAM. Yes, sir; but at the same time I do not like to put in my personal opinion; but I put into the case the crystallized opinion of the people in Portland, like Governor Washburn, and the crystallized opinion of the people of Portland and the whole people of Maine, as shown by the fact that in Portland we have twice invested beyond what many persons regard the ability of the city for the purpose of opening up these Canadian lines which we desire to-day to keep up. I desire to put that in rather than my own personal opinion, which I do not consider of much consequence.

Senator BLAIR. Perhaps others may think it of more consequence than you do.

STATEMENT OF S. W. THAXTER.

Mr. S. W. THAXTER, a merchant of the city of Portland, appeared.

The CHAIRMAN. You may proceed, Mr. Thaxter, to make any statement you desire.

Mr. THAXTER. I am a merchant of Portland and am in the grain business, and have some familiarity with the position of the Grand Trunk with reference to the business of Portland and the whole State of Maine, and also the distribution of western products through the State of Maine.

Mr. Putnam has dwelt very largely upon the interest that Portland has in the Grand Trunk, and of course the whole State of Maine has equal interest. It is a community, as you all know, that draws heavily upon the West. There is no community, perhaps, in the United States that draws so largely on the Western States as Maine, owing to the course of business at home, such as lumber, ice, etc., and it requires a great amount of Western products to feed the men and horses, and it is of great importance, being comparatively a poor community, that we should get our breadstuffs as cheaply as possible. I think, therefore, that any discrimination, as Mr. Putnam says, either directly or indirectly, that would tend to enhance the value of this western produce would work an injury to the whole State of Maine. The whole State of Maine is largely dependent on the Grand Trunk for its supplies. It touches our Maine Central system at two points, at Yarmouth Junction and at Danville Junction.

From those two points the distribution of Western products is made.

Even our agricultural portions take a large amount of Western produce for the reason that Western produce has become so cheap by the cheapening of producing and transporting, that our farmers are in the same position as the English farmers; they are driven out of certain kinds of agricultural production, such as wheat and Indian corn. Such corn as is raised in Maine is only used for canning purposes, and where oats used to be raised in great abundance they are now brought in largely from the Western States.

The CHAIRMAN. Why do you not raise oats?

Mr. THAXTER. When oats are a cent a pound, as they now are, the Maine farmer will turn his attention to something more profitable.

The CHAIRMAN. What is more profitable?

Mr. THAXTER. Raising hay and potatoes on the farm, and dairying. Dairying has increased largely in the State. The farmers help out in the winter by working in the woods and in other ways.

Farming in Maine is rather a precarious way of getting a living. That is the position of our State and the people in it, and as I said I doubt if there is any community that use so much of staple Western products per capita as the State of Maine. As I estimated the other day, with the aid of some Portland merchants, the amount brought into the State of Maine—and I have made a low estimate—is fifteen thousand cars, of which I reckon three-fourths come in over the Grand Trunk. Practically the Grand Trunk has been our only connection with the West. It has been our only through line. We have had at times other through routes, but they have been given up. We are dependent on the rates that prevail.

The point that has not been touched on fully is, as Mr. Putnam said, that there are railroad movements going on that are important to the State of Maine, and Maine must, by reason of its geographical situation be connected with the West through Canada.

The CHAIRMAN. You are seeking the shortest route.

Mr. THAXTER. We are seeking the shortest route. This road that has recently been completed is no doubt going to make a great difference to the northern part of our State. It runs through timber lands that heretofore it has not been practicable to reach and operate. I understand that since that road has gone there lumber is brought out through Canada down through Vermont and New Hampshire and then to the sea-coast. I think that the State of Maine is more interested in this question than perhaps any other community in the United States, for we are more dependent upon the Grand Trunk road at the present time than upon all the other roads combined.

The CHAIRMAN. What proportion of your purchased products comes from Chicago proper?

Mr. THAXTER. When the traffic is open the largest part of it comes from Chicago; our corn and oats come from that city almost entirely during lake navigation.

The CHAIRMAN. When lake navigation is closed where do you get it?

Mr. THAXTER. Since the interstate commerce act has gone into effect it largely comes from Chicago. Formerly it came from points further south and west of Chicago.

The CHAIRMAN. So that you are largely dependent for wh[illegible] you live on upon the West, in a sense. You are dependent on foreign grain and meats, etc.?

Mr. THAXTER. Yes, sir.

The CHAIRMAN. Does much dressed beef come from the West to your State?

Mr. THAXTER. Yes, sir; and that has been a business that has been very largely increasing in the past few years, and it comes principally over the Grand Trunk. I have here a memorandum taken from the Grand Trunk books. There were handled year before last, in 1887, in Portland alone, 367 cars of dressed beef, and in 1888 766 cars, or more than double that of the year previous.

Senator REAGAN. Was that for local consumption or for export?

Mr. THAXTER. Local consumption. I think the export of dressed beef by way of Portland has been little or none. At least there was no export the last year.

In addition to points touched on by Mr. Putnam, I will say that we have at Portland five months of the year, when the port of Montreal is

closed for navigation, a steamer a week that probably takes 4,000 car loads of products, half each of American and Canadian products, to ship abroad.

The CHAIRMAN. So that substantially your wish is to let matters remain as they are.

Mr. THAXTER. Yes, sir; the city of Portland is well satisfied and always has been with the Grand Trunk; it has proved to be a reliable road. We get at the present time and have for the past ten years excellent dispatch. It is equipped at both ends to do business promptly and regularly, and affords, I think, for Chicago shippers facilities that hardly any other road furnishes.

The CHAIRMAN. State just what American connections you have there. Suppose the Grand Trunk did not exist, what would be your communication with the western country?

Mr. THAXTER. We would be under obligation to our friends in Boston. We would have to come around by way of Boston at an arbitrary rate, probably, and we also have what is known as the Portland and Ogdensburgh road, now under the control of the Maine Central, which promises to be a strong and powerful corporation or combination, that strikes down into New York by way of Syracuse, and also the Watertown and Ogdensburgh Railroad to the West and southwest.

The CHAIRMAN. Have you any fear of the Canadian Government drifting this foreign trade, this foreign commerce, to its own ports, instead of allowing it to come down to Portland for foreign shipment?

Mr. THAXTER. That is something I am not very well acquainted with and my opinion would not be of much account. I think that the physical obstacles are against it, however.

The CHAIRMAN. What is the amount of the foreign trade at Portland? Have you any idea of its magnitude?

Mr. THAXTER. Do you mean the exportations?

The CHAIRMAN. Yes, sir.

Mr. THAXTER. We only export for five months in the year. I should say it amounts to a steamer a week; sixty to seventy-five thousand tons during the season.

The CHAIRMAN. Do you have many steamers coming there loaded with cargoes from other countries?

Mr. THAXTER. All the steamers which come in are loaded, largely with Canadian freight shipped through Maine into Canada; cargoes of from one to three thousand tons.

STATEMENT OF NATHAN CLEAVES.

Mr. NATHAN CLEAVES, surveyor of the port of Portland, appeared.

The CHAIRMAN. What is your name, sir?

Mr. CLEAVES. Nathan Cleaves.

The CHAIRMAN. You are from Portland, I suppose?

Mr. CLEAVES. Yes, sir.

The CHAIRMAN. Proceed to state whatever you think is pertinent to this inquiry.

Mr. CLEAVES. I have nothing to add, Mr. Chairman and gentlemen of the committee, except to corroborate what has already been said; but I am charged with a very pleasant duty by the members of the committee of the Portland Board of Trade, in which the Board of Trade and the leading citizens of Bangor join, and that is to urge upon the committee to visit Portland. I will say that Eastern Maine is very much

interested in the matters before your committee, and the Board of Trade of Bangor desire to be heard. The chairman of our committee received a telegram to-day, asking the Interstate Commerce Committee to fix a time for a hearing, and he has also received a telegram from a prominent member of the Board of Trade saying that—

Portland would be much preferred for the hearing, and we will go there Monday, if arrangements can be made.

I was going to suggest to the committee—and I hope you will reconsider your former determination, gentlemen—that a train leaves here on Sunday night at 7 o'clock, arriving at Portland at 11 o'clock, and there is also a train on Monday morning which leaves at 8 o'clock and arrives in Portland at 11 o'clock. If the committee could only remain in Portland until 6 o'clock in the afternoon, when you could return to Boston, I think it would accomplish the object of the Bangor people.

Senator HISCOCK. What is their object?

Mr. CLEAVES. To have the committee give them a hearing, as I have mentioned.

Senator HISCOCK. Would they contribute any new facts?

Mr. CLEAVES. The Canadian Pacific, you will remember, goes near them, and they are very much interested in the subject which is before your committee. They are desirous of being heard, and would come here, if it is necessary.

The CHAIRMAN. I believe there is already one gentleman here from Bangor, who desires to be heard. The committee would not feel at liberty to leave Boston until it completes its work here, and I am inclined to think that the committee can procure all the information from those cities that they desire to contribute. If we can not, they can furnish their views in writing, which will be embodied in the report, so that they will not suffer in that respect.

Mr. CLEAVES. I will so inform them, then.

The CHAIRMAN. You are now collector of the port, are you not?

Mr. CLEAVES. No, sir; I am surveyor of the port.

The CHAIRMAN. You are entirely familiar with the laws governing this bonding system, and with the manner of doing business under it?

Mr. CLEAVES. I have the Regulations of the Treasury Department in my pocket, which give the law, and also the manner of doing business.

The CHAIRMAN. Can those Regulations be procured?

Mr. CLEAVES. I can let you have this set.

The CHAIRMAN. Thank you.

STATEMENT OF L. M. SARGENT.

Mr. L. M. SARGENT, representing the Arkwright Club, of Boston, appeared.

The CHAIRMAN. What is your name?

Mr. SARGENT. L. M. Sargent.

The CHAIRMAN. Whom do you represent especially?

Mr. SARGENT. The Arkwright Club, of Boston.

The CHAIRMAN. You can proceed with your remarks.

Mr. SARGENT. Mr. Chairman and gentlemen of the committee: The Arkwright Club, of Boston, is a club formed of New England manufacturers. They represent the principal industries of New England, and hearing that there was some proposition to curtail, in a way, the means

of transportation over the Canadian lines they met together and adopted the following resolutions:

RESOLUTIONS BY THE ARKWRIGHT CLUB.

Resolved, That the Arkwright Club adopt the following resolutions:

(1) That for many years a considerable quantity of produce from the Western States has been carried through Canada to Boston, not only for home consumption, but also for export from the port of Boston, and a large amount of manufactured and imported goods have been sent from Boston to Canada, and through Canada to the Western States, much to the advantage of Boston and New England interests.

(2) That the route through Canada to and from Boston is geographically the natural route for many places of importance in the Western and Northwestern States.

(3) That for the long period during which business has been open to the merchants and manufacturers of Boston and New England by this channel, it has been carried on by the Canadian railway companies undertaking it in a fair and greatly advantageous manner.

(4) That a competitive route through Canada, independent of other trunk lines in America, has been of great benefit to the merchants, manufacturers, and the community generally of Boston and New England, as by that means any tendency that might otherwise have been to charge exorbitant rates has been held in check.

(5) That, by reason of this route being available for adoption by traders, it has been also a direct benefit to the port of Boston, from the fact that large shipments of Canadian produce have been exported through it, and imports for Canada made, which would not have been received had there been any such restriction upon the free interchange of such business; and it is most desirable to lay before the Senate committee this expression of opinion, in the hope that what has been, and is, of so much benefit to Boston and New England will be continued in the future.

HENRY F. COE,
Secretary Arkwright Club.

JULY 1, 1889.

The general interests of the members of this club are all it will be necessary for me to touch upon, as I am not familiar with railroad matters.

It is very essential, indeed, to the mills of New England, especially to those in Maine, New Hampshire, and Massachusetts, that every possible means of transportation should be kept open. Business is under sharp competition, and any regulation of the Canadian roads which would tend to increase the cost of transportation would be a serious injury to the mills.

The business of making freight contracts is done by the customers, by the buyers who live in the Northwest and West—speaking now of the business that goes to the Northwest. They are, therefore, familiar with the rates of freight, and the managers of the mills here in New England are not, as a general rule. Our customers prefer to use the Grand Trunk for certain portions of their shipment, particularly in the winter season. The Canadian Pacific is used principally on business for export to China.

I do not know that I have anything more to say especially on this matter.

The CHAIRMAN. You speak of exports to China; do you do much of that business?

Mr. SARGENT. The mills which are represented in this club do a good deal of it.

The CHAIRMAN. How much in the aggregate?

Mr. SARGENT. Thirty thousand bales of goods a year are exported to China via the Canadian Pacific.

The CHAIRMAN. Do you send any goods to the Pacific coast on any other line for export to China?

Mr. SARGENT. I doubt very much whether any of the other lines are used for that purpose.

The CHAIRMAN. How does that happen?

Mr. SARGENT. I do not know how it happens. The purchaser makes the rates; we do not.

Senator HISCOCK. You say the purchaser makes the rates?

Mr. SARGENT. Yes, sir.

The CHAIRMAN. Where is he?

Mr. SARGENT. The purchaser of the goods which are exported to China is a broker in New York.

The CHAIRMAN. Why do you not make the rates?

Mr SARGENT. We find it more profitable and better to allow the purchasers to make their own arrangements. The great effort of the Western buyers has been to compel the New England mills to deliver their goods in Chicago free. That is resisted. Probably one of the largest articles of cotton goods sent West is a sheeting known as LL sheeting, which is made by the company I represent. That sheeting is sold at exactly the same price in Chicago as we get for it here. I suppose that may be true of a number of other lines of cotton products.

The CHAIRMAN. So that nearly everything that is exported to China goes by the Canadian Pacific?

Mr. SARGENT. I think that is probably true. The principal exports to China are heavy sheetings and drills. Those are made by the mills in Maine and New Hampshire, and to some extent by companies in Lowell and Lawrence.

The CHAIRMAN. None are made in Boston?

Mr. SARGENT. There are no cotton factories in Boston. The factories which have business headquarters in Boston are located in Lowell and Lawrence.

The CHAIRMAN. How far are those two cities from Canadian railroad connections?

Mr. SARGENT. I could not tell you exactly. They get through bills of lading.

The CHAIRMAN. What is the specific route from Lowell, for instance, to the point of export?

Mr. SARGENT. I do not know.

The CHAIRMAN. The goods do not come to Boston, do they?

Mr. SARGENT. No, sir.

Senator BLAIR. They go by the Merrimac Valley?

Mr. SARGENT, Yes, sir.

Senator BLAIR. Over the Vermont Central?

Mr. SARGENT. Yes, sir; probably. I am not familiar with that part of the business; I merely know in a general way that through bills of lading over the Canadian roads are given at the mills.

Senator REAGAN. In shipping cotton goods over the Canadian lines from Lowell, do you know whether through bills of lading are given to Vancouver?

Mr. SARGENT. My impression is that through bills of lading are given.

Senator REAGAN. Do you know by what route the goods go to get to the Canadian line?

Mr. SARGENT. They are taken in Lowell and Lawrence by the Boston and Maine and taken to the Canadian road connection.

Senator REAGAN. You are not certain as to whether through bills of lading are given or not.

Mr. SARGENT. I feel pretty confident that they are.

STATEMENT OF T. S. EDMANDS.

Mr. T. S. Edmands, a cloth manufacturer of Dover, N. H., appeared.

The CHAIRMAN. Please state your name.

Mr. EDMANDS. T. S. Edmands.

The CHAIRMAN. We will be glad to hear anything you may wish to say.

Mr. EDMANDS. The company I represent, located at Dover, N. H., manufactures cloths and also prints the cloths which we manufacture besides buying cotton prints, also satins, calicoes, etc., from other mills.

The CHAIRMAN. Where do yon find a market for your goods?

Mr. EDMANDS. They are sold all over the country.

The CHAIRMAN. Do you have much of an export business?

Mr. EDMANDS. We have exported a few goods, but very few.

The CHAIRMAN. You do not export very much?

Mr. EDMANDS. No, sir; we sell our goods either in Boston or New York, and elsewhere, principally Boston and New York. We shipped about 800 cases last year to Chicago over the Grand Trunk.

The CHAIRMAN. You are interested in the Grand Trunk, too, then?

Mr. EDMANDS. Very much; but more than that we are more interested—all the cotton-mills are—on account of the arbitrary on our cotton bales. Formerly, before the Canadian roads came in, we had to pay a 5-cent arbitrary.

The CHAIRMAN. On raw cotton from the South?

Mr. EDMANDS. Yes, sir. That amounted to 20 cents a bale, in round numbers, and 20 cents a bale in the aggregate amounts to something.

The CHAIRMAN. You are not paying that arbitrary since the Canadian Pacific has been doing your transportation?

Mr. EDMANDS. It was the effect of the Canadian Pacific that did away with the arbitrary. Very little cotton goods come that way. It is simply the effect of the Canadian Pacific being able to bring it that has induced the other roads to cut off the arbitrary.

The CHAIRMAN. The American roads do not charge it now, either?

Mr. EDMANDS. No, sir.

The CHAIRMAN. They did until the Canadian Pacific came to your relief?

Mr. EDMANDS. Yes, sir.

The CHAIRMAN. How much do you manufacture a year in value?

Mr. EDMANDS. From $3,500,000 to $4,000,000 worth.

The CHAIRMAN. How many persons do you employ?

Mr. EDMANDS. About 1,800, in round numbers.

The CHAIRMAN. Are they largely adults?

Mr. EDMANDS. About equally divided betwixt males and females, and I should think perhaps one-quarter under age. That is simply in the cotton-mill. Then in the print-works the employés are nearly all adult males. We have a cotton-mill and print-works besides.

The CHAIRMAN. From where does your cotton come?

Mr. EDMANDS. From Texas and Arkansas.

Then, as regards the export business, even if the goods which are shipped to China did not go on the Canadian Pacific, they would not go on the Union Pacific. When they are not sent by way of Vancouver they are sent to New York, and from there to Liverpool, and then over the Suez Canal. They would not go over the Union Pacific to San Francisco at all.

The CHAIRMAN. They never did?

Mr. Edmands. Yes, sir; I think it was tried; but it was not a success.

The CHAIRMAN. Then it is not only the rate at which the goods are shipped, but the manner of shipment.

Senator BLAIR. Do you reside at Dover?

Mr. EDMANDS. No, sir. I do business in Dover, but I live here.

Senator BLAIR. The mills you personally represent are not the entire manufacturing interest of the city?

Mr. EDMANDS. No, sir.

Senator BLAIR. What other mills are there?

Mr. EDMANDS. Governor Sawyer has a large woolen mill there.

Senator BLAIR. Do you know anything about the outlet of his mill?

Mr. EDMANDS. I do not. It is presumably throughout the West and East.

Senator BLAIR. That mill would naturally use the same roads that you do.

Mr. EDMANDS. Yes, sir; the National Dispatch line.

Senator HISCOCK. You say that your shipments to China, if they were not made over the Canada road, would be made to Europe, and thence through the Suez Canal, and that there seems to be some obstacle in the way of their going to San Francisco. Please describe that obstacle.

Mr. EDMANDS. I can not speak from my own experience. We do not ship goods to China. I understand from the manufacturers and shippers of drills that they get better facilities over the Canadian Pacific than they have ever been able to get over the Union Pacific.

Senator HISCOCK. I understand you to say that the Canadian route only competed with the European route, and that the shippers have not been accustomed to patronize the San Francisco route at all; and I did not know but you might know what the obstacles were that interfered with the business going to San Francisco. That, to my mind, is quite an important question.

Mr. EDMANDS. I do not think we have more than a half a dozen customers who ship to China. One party makes all his shipments that way; the other parties ship by the Suez Canal.

Senator HISCOCK. Can you give a reason why the San Francisco roads do not compete for this traffic?

Mr. EDMANDS. I think the reason is that the service is not as good over the Union Pacific as over the Canadian Pacific, and the American roads know it. If you ship by the Canadian Pacific they run a car right into your mill-yard, where it is loaded and sealed and it goes to Vancouver without any trouble whatever.

Senator HISCOCK. Is the bulk not broken?

Mr. EDMANDS. I have known it to be broken at Albany and again at Chicago.

Senator HISCOCK. Your understanding is that those shipments would be made over the Canadian Pacific rather than over the American roads even if there were no difference in rate?

Mr. EDMANDS. The shippers would prefer the American roads, I should think.

Senator HISCOCK. At the same rate?

Mr. EDMANDS. Yes, sir.

Senator HISCOCK. Do you know whether the rates are the same on the Canadian Pacific as on the American roads?

Mr. EDMANDS. I do not know; I am not a shipper.

At 4 o'clock p. m. the committee adjourned until Monday, July 8, 1889, at 10 o'clock a. m.

BOSTON, MASS., *July* 8, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

The CHAIRMAN. I am informed that there is a delegation here from Bangor, Me., who would like to be heard for a brief time. If they do not have full opportunity to say to the committee at this time all they desire to state, they ask leave to follow it up with a written statement, which is entirely agreeable to the committee. The committee is now ready to listen to whatever the Bangor delegation desires to submit.

STATEMENT OF EDWARD B. NEALLEY.

Mr. EDWARD B. NEALLEY, a member of the committee of the Board of Trade of Bangor and of the committee of the Bangor and Piscataquis Railroad, appeared.

The CHAIRMAN. Where do you reside, Mr. Nealley?

Mr. NEALLEY. Bangor, Me. My associates and myself appear here to-day, in the first place, for the purpose of representing a committee of the Board of Trade of Bangor, and to present their resolutions, which I submit now without reading.

The CHAIRMAN. They will be embodied in the report of these proceedings.

The resolutions are as follows:

RESOLUTIONS OF THE BANGOR BOARD OF TRADE.

BANGOR, *July* 3, 1889.

At a special meeting of the Bangor Board of Trade, held July 2, the following resolutions were passed:

Whereas the Canadian Pacific Railway Company has constructed a railroad through the State of Maine, under a charter granted by our Legislature, which makes connection with the railroads of our State:

Resolved, That, in our judgment, good faith requires that that company should have all the privileges now allowed by the laws of the United States for the transportation of merchandise through this State to and from points in the Dominion of Canada, and that all facilities should be given for the transportation of breadstuffs and other merchandise to and from all points in our Western States over railroads in Canada to and from all points in this State and connecting railroads.

Resolved, That Mayor C. F. Bragg, Hon. J. S. Wheelwright, Hon. E. B. Nealley, Hon. Lysander Strickland, Hon. Lewis Barker, Hon. J. P. Bass, Hon. John L. Cutler, Hon. D. F. Davis, C. P. Stetson, esq., B. B. Thatcher, esq., John S. Jenness, esq., and James Tobin, esq., be appointed a committee to appear before Senator Cullom's committee to present this resolve and make such representations as may seem to them to be necessary, and to act in conjunction with a similar committee already appointed by the Bangor and Piscataquis Railroad.

HENRY LORD,
President.
J. P. BASS,
Secretary pro tem.

Mr. NEALLEY. We appear also as a committee of the Bangor and Piscataquis Railroad Company, which has a short line of about 90 miles running from Bangor to a point on the Canadian Pacific, which line has been built almost entirely by the city of Bangor and controlled by the city of Bangor. The line was built for the purpose of connecting with the Canadian Pacific when completed. We shall probably avail ourselves of your privilege to file some statement hereafter in connection with this matter. At present we will not take up your time only so far as one of our number is concerned, and further than that we desire to appear by counsel, Mr. Charles P. Stetson.

STATEMENT OF CHARLES P. STETSON.

CHARLES P. STETSON, an attorney-at-law, of Bangor, Me., appeared.

The CHAIRMAN. You may proceed, Mr. Stetson, without interruption from the committee.

Mr. STETSON. Mr. Chairman, and gentlemen of the committee, the city of Bangor, the principal town of eastern Maine, and the Bangor and Piscataquis Railroad Company, which has a railroad extending from Bangor to Moosehead Lake, about 90 miles in length, have full interest in the subject-matter of your investigation, and have thought that their views and position might be worthy of your consideration with reference to the matter before you.

BANGOR'S CONNECTION WITH THE WEST.

We are interested in connection with the Canadian Pacific Railroad in this manner: Bangor, on the Penobscot River, the principal city of eastern Maine, many years ago embarked in the enterprise of building the Bangor and Piscataquis Railroad in a northwesterly direction to Moosehead Lake, and put into that enterprise in all over $1,000,000, between $1,000,000 and $1,500,000. One object of building this road was to form a connection with a contemplated route westerly from Moosehead Lake to the Western States, connecting with the railroad system of Canada. The city of Bangor had not the ability to carry out this scheme and it lay dormant for a considerable length of time. They finished their road to the lake. Afterward the Canadian Pacific Railroad became possessed of the charter which had been granted by the State of Maine for building the railroad from Moosehead Lake to the western line of the State, and they have just finished the construction of a line of railroad from the western line of the State to the foot of Moosehead Lake, about 70 miles, thence in a southwesterly direction connecting with the Maine Central Railroad, which is the principal railroad system of the State of Maine, at a place called Mattawamkeag, and thence to the city of St. John.

Now the city of Bangor is interested in its connection with this road in this way, that it gives them a short route to the West. The distance over this line of railroad and its connections—especially the road called the "Soo" route—is about the same distance, Minneapolis to Bangor, as from Minneapolis to Boston by the American routes, and about the same distance, within 40 miles, as the shortest distance to the port of Portland by the Grand Trunk. We are interested, may it please the committee, in having the intercourse and connection with this Canadian Pacific road free from restrictions as much as possible.

The city of Bangor is a distributing point in the eastern part of the State. We want to be free from any hindrance to a free passage of freights to Bangor, and we mainly appear in the same view as our friends from Portland who were before you on Saturday, as our position is very similar to theirs.

I will therefore not occupy your time by going over the same ground which they did, because I think it must be evident to the committee that a statement of our position shows our interest in this matter and demonstrates that we should have as favorable connections with the Canadian Pacific as possible, in order to bring us as near as possible to the great West, that we may have its products and reach a market in the West that must have certain of our products, and it would be for

the benefit of our railroad, the benefit of our city, and the benefit of that part of the State of Maine that the connection should be as untrammeled by any laws and regulations as may be.

THE CANADIAN PACIFIC BRANCH IN MAINE.

The question has been discussed here as to competition with Canadian points, such as St. John, but that does not stand in the way of intercourse and a connection without shackles and without legislation which might impose restrictions, because by the charter granting the privilege to this road to pass through the State of Maine a provision is made which we think protects us in the matter.

The CHAIRMAN. That is a State charter, I suppose.

Mr. STETSON. A State charter. The charter was originally given to another international railroad company, and was granted to citizens of Bangor, principally, with a view that with the Bangor and Piscataquis Railroad they should have a close connection to the West. But, as I stated before, this road afterward came under the control of the Canadian Pacific and they built an independent line from Moosehead Lake easterly, against the wishes of the Bangor and Piscataquis Railroad Company.

The Canadian Pacific went to the Legislature of Maine and asked for a charter for a road which they said would afford a more direct route from Moosehead Lake easterly. The Legislature, in granting them this right against the protest of the Bangor and Piscataquis Railroad Company, which expected to be a part of the through line, placed upon them certain restrictions which prevent any competition with St. John or the provincial ports, and with the permission of the committee I will state, as it may be germane to the subject-matter of this hearing, that it was provided that—

> Said International Railway Company, its lessees and assigns, shall freely deliver to and receive from connecting railroads, their lessees and assigns, passengers and also cars, with or without merchandise loaded therein, and shall afford reasonable facilities at its connection with said railroads for exchange of said passengers and cars; and said International Railway Company, its lessees and assigns, shall deliver passengers and freight to and take the same from connecting railroads in this State, its lessees and assigns, without discrimination, and shall make and maintain their rates with all connecting railroads in this State, their lessees and assigns, pro rata and according to the distance carried on the railroad of said corporation, its lessees and assigns.
>
> Nothing herein contained shall deprive any railroad contracting with said International Railway of the benefit of the general laws relating to connecting railroads.

That provision in the charter, we think, protects us and gives us fair rates over the Canadian Pacific, so that no trade will be diverted to the ports of the Lower Provinces to the prejudice of our citizens, as they are called.

With the permission to file a brief of our case, I will rest the matter here.

The CHAIRMAN. Suppose you had not this Canadian connection, how would you get to the West?

Mr. STETSON. Our route is by what is called the Maine Central Railroad Company, which has its connections at Boston and Portland by the Grand Trunk, and by the railroads centering in Boston and New York.

The CHAIRMAN. Your outlet, then, would be by way of Boston, as I understand you?

Mr. STETSON. It would be by the Maine Central Railroad by the way of Boston, Portland, and New York. We have water connection, as you know, and are protected in that manner.

The CHAIRMAN. How long have you had these connections you speak of with the Canadian roads?

Mr. STETSON. It is proper to state, in answer to your question, that this road has just been finished, and our advantages are in the future, and are prospective rather than based on a judgment of what has taken place. The road has lately been completed, and has commenced the running of its trains this spring. I therefore say that our advantages are prospective.

The CHAIRMAN. You have not realized the advantages as yet?

Mr. STETSON. No, sir.

The CHAIRMAN. Do you think it will make any great difference to you in the way of cheapening transportation?

Mr. STETSON. We anticipate that it will. We expect that it will give us lower rates and will benefit our road from Bangor to the lake, affording cheaper rates on all western products for Bangor and that part of the State.

Senator GORMAN. What is the length of this International road which the Canadian Pacific controls?

Mr. STETSON. It is about 145 miles, extending from the western boundary of the State to a junction with the Maine Central Railroad at a place called Mattawamkeag, thence continuing under a traffic arrangement on that road about 150 miles, making a distance of something over 300 miles.

Senator GORMAN. That is a railroad subsidized by the Canadian Government?

Mr. STETSON. Yes, sir; subsidized by the Canadian Government. The amount and conditions of the subsidy are not clearly in my mind now, but it is a considerable subsidy, granted to the company for the purpose.

Senator GORMAN. You do not know the amount of that subsidy?

Mr. STETSON. No, I do not.

Mr. NEALLEY. I think the Government gave $250,000 a year for twenty years.

Mr. STETSON. The annuity was capitalized for the purpose of enabling the building of the road. The main purpose, I suppose, of the Dominion is to make a close connection, or a short route, between the Upper and Lower Provinces, and the building up of the ports of Montreal, St. John, and Halifax.

Senator GORMAN. It has been stated that there is a subsidized line of steamers at St. John running in connection with the Canadian Pacific. Would not the natural tendency of the controllers of the road be to run their freight through to the end of their line at Halifax, or St. John, and then ship abroad by steamers rather than from your port?

Mr. STETSON. That is a matter that hardly comes within our view of the case, because we are not an exporting port. It would not affect us as it would the city of Portland. Our advantage by this line, as we imagine, is the giving to us of cheap rates on western products destined to Bangor and our part of the State.

The CHAIRMAN. For your own consumption?

Mr. STETSON. For our own consumption, and it gives us more business on the line of railroad in which the city is largely interested. There is one road, and perhaps more, chartered from Bangor to the sea-

coast of Maine. Castine is one of the ports which may be affected, but I have not the facts with reference to all this in my mind at this time.

The CHAIRMAN. How near does this connection you speak of bring you to Duluth as compared with the American lines?

Mr. STETSON. I think the difference is 70 or 80 miles. As I stated we are as near to St. Paul by this route as is Boston, or within 10 miles as near.

Senator BLAIR. Do you understand that the principal terminus of the Canadian Pacific on the Atlantic is to be Halifax or St. John?

Mr. STETSON. St. John or Halifax. I suppose there is competition between those two ports in reference to the steamers, to which I understand the Canadian Government has granted a subsidy. Parties representing St. John's interests went this spring to Ottawa to get the benefit of that subsidy and make St. John the terminus, but I do not know with what success.

Senator BLAIR. Is there understood to be any competition between Portland and St. John or Halifax for the transportation of the traffic coming over the Canadian Pacific which goes across the ocean?

Mr. STETSON. I think not.

STATEMENT OF J. P. BASS.

Mr. J. P. BASS, secretary of the Board of Trade of Bangor, appeared.

The CHAIRMAN. We are ready to hear you, Mr. Bass.

Mr. BASS. I will state to the committee, as secretary of the Board of Trade of Bangor, in reference to what Mr. Stetson said with respect to our not being an exporting port, that we have and always have had an arbitrary as between the billing points of the Grand Trunk and the roads terminating at Boston. Now, we believe that we should get all the rights that we are entitled to have by this road being built across Maine, and if we had our rights we would be an exporting port for lumber and even for the products from the West, excepting in the winter. Two thousand ton ships can load at the wharves at Bangor and not ground, and with freight carried through to the Provinces as cheaply as it is we would become an exporting point, and the same would apply to Castine. That is as good a port as there is on the coast of Maine.

There, on the Penobscot, is just as good a port as Boston, and it only freezes there when it freezes at Boston. Vessels of any size can load there. It seems to us if there is to be any legislation with respect to these Canadian roads for the protection of American ports, that the Canadian lines should be obliged to deliver freight as cheaply per mile to connecting lines in the United States as they carry it through to the cities in the Lower Maritime Provinces. Then the American roads and American ports could not be interfered with, because a connecting road at Newport could take the freight over their line as cheaply per mile as the Canadian roads could. Bangor and Castine and the port at Mount Desert are better ports than St. John for that business.

The CHAIRMAN. And they are all in the United States?

Mr. BASS. All in the United States.

Senator BLAIR. Would you make that a condition upon the commerce coming from Canada for exportation?

Mr. BASS. If I had the power I would make it that the Canadian roads should not carry freight of the same class per mile through any section of the United States for themselves, whether it was Canadian

or United States freight, at a less rate per mile than that freight could be taken off and delivered to a connecting road at this end; that is, the people of the United States and the American ports should be given just as low a rate per mile for passengers and freight coming to American ports and points as the Canadian roads carry it through to their own provinces. The principle of that is applied in the charter from the State of Maine, if not in the United States law.

Senator GORMAN. Is there any route going entirely through Canadian territory to reach St. John?

Mr. BASS. I think there is, by the Intercolonial road, but it is 300 or 400 miles longer. They could avoid the United States entirely by running above the northeast corner of Maine through Canada. In winter the snow is so deep, however, that they could not keep such a road open without great expense, and winter is the time when they would want to use the road to reach ports in the Lower Provinces. That would be an impracticable route with which to compete for American business, and consequently they decided to run through the State of Maine. It was always understood that this road was to go over 50 miles of the Piscataquis road. They came down to the Maine Legislature with a great lobby, and the legislature passed a bill granting them the right to run a road through Maine, quite a portion of which is parallel to the Bangor and Piscataquis Railway. Then the Legislature, on the presentation of the facts before them, passed an amendment giving all the connecting railroads in Maine the right to take freight pro rata according to the distance carried. Now, if that principle should be woven into the United States law, that would protect every American port, because every American port is nearer than the ports in the Dominion. Bangor is 50 miles, I think, from Brownville, and from Brownville to St. John is 180 miles.

Senator GORMAN. So that you think the only feasible route is through Maine?

Mr. BASS. Yes, sir. Now, if our American ports and our American railroads could have the right of bonding and the privilege of doing business through our own country at the same rate per mile, we could then deliver it and get it into our ports cheaper than the Canadians could. That would give us ample protection. Boston would get the advantage of it, and so would Portland.

The CHAIRMAN. That is all, Mr. Bass.

STATEMENT OF A. M. DEVEREUX.

Mr. A. M. DEVEREUX, representing the Castine Railway and Navigation Company, appeared.

The CHAIRMAN. Where do you reside?

Mr. DEVEREUX. I live at Bangor, Maine.

The CHAIRMAN. Whom do you represent?

Mr. DEVEREUX. I represent the Castine Railway and Navigation Company, and the inhabitants of Castine.

CASTINE AS A CANADIAN PACIFIC TERMINUS.

The principal point which we desire to make is the advantage of Castine as a terminus for the Canadian Pacific, and for the purpose of more fully explaining it I will read a letter addressed to the committee by

the selectmen of Castine, which voices the sentiment of the business men in Eastern Maine. The letter is as follows:

To the Interstate Commerce Committee, United States Senate, Boston, Mass.:

GENTLEMEN: We recommend to you A. M. Devereux, general manager of the Castine Railway and Navigation Company, which company propose to connect the Canadian Pacific Railway at Brownville, this State, with this harbor.

Mr. Devereux will represent to you the views of this section in regard to the bonding privileges desired by the Canadian Pacific Railway, and the advantages to eastern Maine and the Canadian Pacific Railway as well of establishing a terminus for that road here.

If they cross this State with their maine line, encompassing the world in competition with our railway and steamship routes and terminals, on both sides of this continent, eastern Maine's interior and sea-coast can be rapidly developed by connecting the Canadian Pacific Railway with this harbor, and the business of that road can be greatly facilitated by the advantages of this harbor, and this route, which is the shortest through route from the Northwest to Europe.

The avowed purpose of the Canadian Government is to steer clear of our Maine seaports, continuing on with their main line to provincial sea-ports for a terminus for passengers, mail, and freight.

If successful in securing the bonding privileges they desire, it crushes out our efforts to establish railway and steam-ship communication, upon which our development depends, and capitalists refuse to co-operate with us.

Should our Government grant the Canadian Pacific Railway the privilege of operating a fast mail and passenger route through the State of Maine, via Halifax, to Europe, and grant the bonding privilege through Maine on all freight, the final destination of which is in the Maritime Provinces, and on all freight originating in the Maritime Provinces, the final destination of which is beyond the western limits of our State, we think our Government should protect our interests and encourage the development of our section by demanding that all European-bound freight originating on United States soil, at least, should be shipped from a United States terminus.

L. G. PHILBROOK,
GEORGE L. WEEKS,
GEO. W. PERKINS,
Selectmen of Castine, Me.

We take the ground that the shortest route to Europe from our Northwest is by way of the Canadian Pacific, Montreal, Bangor, and Castine, and by steamer, and we want the privilege of that natural advantage. We feel, as far as we are concerned, that we can afford to be neighborly and allow the Canadians to communicate between their Upper and Lower Provinces by going across our State with their productions in bond.

The provision in the charter granted by the legislature of the State of Maine that the Canadian Pacific shall deliver freight pro rata by the mile to our connecting roads, I do not think is quite so effective as do some, because the Canadian Pacific Railway, in reality as a railway, will operate a fast steam-ship line from Halifax to Europe, and the rate of freight will be a rate calculated from the point of origin to its final destination over railway and steam-ship combined, and we never shall know what our pro rata is as the freight passes through the State of Maine.

If the freight goes through to Europe, via Halifax, at a certain rate, we never shall know what proportion the railroad receives, or what proportion the steam-ship receives.

THE PROTECTION OF AMERICAN PORTS.

From a national point of view, when the Canadian Pacific starts from Australia, China, and Japan, crosses the Pacific, crosses this continent, bound, via Halifax, across the Atlantic to Europe, to the exclusion of our steam-ships, railways, and sea-ports, the only chance we have to protect our sea-ports is to impose conditions upon it when it goes

through the State of Maine, to stipulate what class of freight it may carry through in bond, and what class it may not.

I would not allow the Canadian Pacific to take freight in the United States, transport it through Canada, and then take it through the State of Maine in bond to reach the Lower Provinces for shipment to Europe.

The CHAIRMAN. Unless upon certain conditions?

Mr. DEVEREUX. I would not allow them to go through with freight originating in the United States at all. We can be neighborly, as I say, and allow the Canadian Pacific to carry freight through Maine which originates in the Canadian provinces; but we do not propose, if we have anything to say about it, to allow them to do a business in competition with our sea-ports.

Senator BLAIR. Do you mean an export business?

Mr. DEVEREUX. Yes, sir; we do not want the Canadian Pacific to pick up freight in the United States and carry it to Halifax for shipment to Europe.

The argument is made that this through business does not amount to much anyway. It amounts to a great deal in this connection. It develops, it builds up, it creates a large business at the terminal point.

We have a harbor at Castine which is the best harbor on this continent. There is no harbor on the American continent where the facilities are so ample, and which is so easy of approach. We take the ground that if you make this ruling that the Canadian Pacific shall be obliged to receive and ship United States freight at a United States sea-port, by denying the bonding privilege across the State of Maine on that class of freight, then the interests of our sea-ports will be protected, while if Canadian roads are granted the bonding privileges on this class of freight the Canadian Pacific and the Grand Trunk also will cross our State on roads which they have already built or will build or hire from the Maine Central Railroad, and by the aid of subsidies divert business from our sea-ports to theirs.

Senator BLAIR. How far is it from Brownville, the point of divergence, to Halifax?

Mr. DEVEREUX. Four hundred and sixty-six miles.

Senator BLAIR. How far is Brownville from Castine?

Mr. DEVEREUX. Eighty-three miles. Should the Canadian Pacific adopt Castine as a shipping port there would be 383 miles less rail transportation than by way of Halifax, and 215 miles more water transportation. Freight, of course, is moved more cheaply by water than by rail.

If an ocean steamer should start from Liverpool bound to a connecting road in America, coming to Halifax, and another steamer should start from Liverpool to Castine, those two steamers to connect with trains for Montreal, one at Halifax and one at Castine, there would be one and one-half hours' difference in the arrival of those trains at Montreal, the trains running 30 miles an hour and steam-boats 15 miles an hour. A railroad can not afford to operate 383 extra miles of railroad to save the operation of 215 miles of steam-boat. The Hendersons, in agreeing to put on their line of steam-ships, stipulated that they must be allowed to continue on to a port in Maine. They will not make Halifax their only terminal point.

The CHAIRMAN. Who are the Hendersons?

Mr. DEVEREUX. They are London capitalists. The Dominion Government offered them a half a million dollars if they would make Halifax their only terminal point. The Hendersons refused to do it, saying

that it would be impossible to do so unless they could continue on to a port in Maine, also.

THE POLICY OF THE CANADIAN PACIFIC.

You asked a question on Saturday of Mr. Putnam, which he was unable to answer, and which I think I can answer.

The CHAIRMAN. We would like to have you do so.

Mr. DEVEREUX. Mr. Van Horne, the president of the Canadian Pacific Railway, was interested in getting a charter for his road through the State of Maine, and the Maine Central was also interested in that way, because their road is to be used by the Canadian Pacific from Mattawamkeag east to the State line, 56 miles, and they all appeared before the Legislature and applied for this charter. I wanted it, too, because I knew that Castine possessed great advantages in point of harbor, etc., and that via Castine was the shortest route from the Northwest to Europe. I know this, because I was born and raised there. I know its natural advantages. So I favored the granting of the charter in the Legislature of the State of Maine, and I tried to get Mr. Van Horne to favor Castine.

Now, he knows the advantages of Castine, but the MacDonald government in Canada have an avowed purpose of steering clear of our American ports and favoring Halifax, and I suppose Mr. Van Horne is acquainted with the wishes of the MacDonald government. But I took the ground that the Canadian Pacific would eventually be driven to Castine whether they wanted to come there or not; that the Government of the United States would not permit any such thing as diverting our freight to Canadian sea-ports; that the Canadian Pacific would have to come to Castine in the end.

Mr. Van Horne takes the ground that the shortest route will absorb the through freight. I read now from a letter addressed to me by him on the 22d of January, 1887. He says:

> We are already pretty well aware of the advantges of Castine Harbor, but to build and operate a branch to any of the Atlantic sea-ports would be outside of the policy of this company. We will always be ready, however, to interchange business on equal terms to all lines building to a connection with ours, but we can not, under any circumstances, undertake either the construction or the operation of the line you propose.

Senator REAGAN. How does that last sentence read?

Mr. DEVEREUX. He says:

> But we can not, under any circumstances, undertake either the construction or the operation of the line you propose.

Senator BLAIR. That is a line to Castine?

Mr. DEVEREUX. Yes, sir; but it means any line leading to an American sea-port.

Senator GORMAN. What did you say was the date of that letter?

Mr. DEVEREUX. It is dated the 22d of January, 1887. I have received other letters embodying the same idea, but that is rather clearer than the others, and so I brought it.

Now then, Mr. Van Horne has always stated that the Canadian Pacific would connect with us and give us the same terms that they would give any connecting road. He has always been fair about that, and it always seemed to me that the Canadian Pacific were being coerced by the Canadian Government to go to Halifax against their own will.

I wanted Mr. Van Horne to give some sort of an idea about what

proportion of freight we might reasonably expect if we built our road, and so wrote him. He replied as follows:

THE CANADIAN PACIFIC RAILWAY CO.,
Montreal, October 23, 1887.

DEAR SIR: Absence and pressure of business have prevented earlier reply to your favor of the 24th ultimo.

It would be impossible for us to say what proportion of business we could or would give your line. We intend to treat all connecting lines alike in the matter of interchange of traffic, and the one that affords the greatest advantages to shippers will undoubtedly get the largest share of the business. It will make little difference to us whether the freight for the New England sea-board goes to Castine, or Boston, or Portland. Every port will be placed, so far as we are concerned, on as nearly an equal footing as possible.

Yours truly,

W. C. VAN HORNE,
Vice-President.

A. M. DEVEREUX, Esq.,
Bangor, Maine.

That would not give us any show at all. If we get any advantage out of this Canadian Pacific we have got to take advantage of the fact that they cross our territory.

THE HARBOR AT CASTINE.

Senator BLAIR. You say Castine is the best harbor in the country?

Mr. DEVEREUX. Yes, sir, and it is. I have the exact data here so as to be able to demonstrate that to you, and I leave this chart, on a large scale, on file with you.

Senator BLAIR. Describe the harbor at Castine as compared with other harbors throughout the country.

Mr. DEVEREUX. In entering Castine from the sea you enter the East channel of Penobscot Bay at Saddle Back light-house with 50 fathoms of water on each side of it, and you can run a steam-ship right on the ledge on which the light-house is built. There is a broad, deep channel, perfectly straight, with no obstruction in the way, 13 miles to Eagle Island light-house, and a passage 2 miles wide there with 15 fathoms of water, and another straight course from there without any obstruction to Castine. The banks are high and well defined, water deep and never frozen, and navigation is perfectly simple. If a man knows how to navigate any kind of a vessel he can navigate that channel at any time. At Castine the harbor is land-locked. Different portions of the harbor are land-locked, as well as the harbor itself, and the channel is wide and deep. There is a water front which is suitable and available at a low price for a terminus for the largest steamers. The harbor never freezes. It is not fresh water which flows into the harbor, but salt water from the open sea that flows into and through it, 15 miles into the interior. It flows in twice every twenty-four hours, and the natural drift of the tide is by the water front of Castine. We have 30 to 60 feet of water there at low tide, and you can reach that depth by building wharves from 50 to 300 feet long. It is open all the time, except when everything is frozen up. That harbor has only been frozen twice in its history. Then Boston Bay was closed for 30 miles to the sea, and Long Island Sound was frozen the whole length.

The climate of Castine compares favorably with the climate of Boston, as is shown by the temperature for the forty years during which a record was kept.

I was born and raised at Castine, and I know all the harbors of which Mr. Bass spoke just as well as any man who lives to-day. Take Rock-

land, for instance. Rockland has shoal water, and it is right open on the sea. Sometimes ships can not land on account of rough water, and at low tide they can not land; and it will freeze up every winter when the breakwater is finished. But at Castine vessels can come in at day or at night, at any time of tide or any part of the year, or during foggy or stormy weather.

The CHAIRMAN. It is a good port, I should say.

Mr. DEVEREUX. There is no finer port in the country. It is the only very deep-water harbor still unused as a terminus for a trans-continental railroad. For a terminal point for the Canadian Pacific Castine is the place. The Canadian Pacific is pointed toward us, and we do not want them to steer off with United States freight to build up Canadian seaports at the expense of ours.

Senator GORMAN. What do you know about the subsidy of the line of steamers owned by the Canadian Pacific running to Halifax?

Mr. DEVEREUX. I only know that it was stated in the Maine Legislature that a subsidy of $5,000,000 was offered by the Canadian Government to whoever would construct the shortest line between the upper and lower provinces. Complaints were made that the upper provinces received all the advantages, and ostensibly this was brought about just to favor those people down there.

Senator GORMAN. Then you regard the Canadian Pacific and its connection as a political or military road, rather than a commercial road?

Mr. DEVEREUX. Yes, sir, I do; but I regard it as a commercial road, too, because they use these great subsidies on both oceans and on this continent, and they can handle business cheaper than can the United States roads of the same length, and cheaper than can United States roads which are even shorter than the Canadian Pacific.

I regard the Canadian Pacific in competition with the Grand Trunk just as much as it is in competition with any other road. They are after business, and the Canadian Government are after political advantages, and the road and the Government unite and thus accomplish those purposes.

Senator GORMAN. Now, your theory is that if the Canadian Pacific utilize any portion of our terrrtory we shall make the conditions on which they shall do so?

Mr. DEVEREUX. Yes, sir.

Senator GORMAN. You think that is the only way in which the American roads can be protected.

Mr. DEVEREUX. Yes, sir. It seems to me that the Canadian Pacific can do as they are ... mind to on Canadian soil, and this whole route from Japan to Europe is all under their control, except that little portion across the State of Maine. They can go around the State of Maine in summer, but it is not feasible on account of the increased distance, and they could not go around in winter at all on account of the deep snows along the northern routes on their own soil, occasioning delays to shippers, so they built across the State of Maine.

AMERICAN FREIGHTS SHOULD GO TO AMERICAN PORTS.

This line across the State of Maine is the only feasible route which they can use in winter. It looks to me as if the Canadian Pacific were going to ship freight from Halifax, by the aid of a great subsidy which will practically annihilate the distance between Maine ports and Halifax; but they can not do it except by this short line. Now, the only change we get at the Canadian Pacific is on that line through Maine,

and I think Congress should consider the advisability of taking some step which will look to the protection of our sea-ports as far as our freight is concerned.

Senator GORMAN. You are perfectly satisfied, as I understand you, that notwithstanding the advantages of your harbor at Castine, that for their own purposes the Canadian Pacific will divert the freight and send it to Halifax, unless we make conditions otherwise?

Mr. DEVEREUX. Yes, sir. The letters which I have read show that I have been working this subject for three years, and I never could get any conclusive answers from the Canadian Pacific regarding our sea-ports. I always received these evasive answers; they say they will place every port on the same basis so far as the New England sea-coast is concerned, and studiously avoid saying anything about Canadian sea-ports. There was a time when they were booming St. Andrews, New Brunswick, for the terminal point. I wrote to the Canadian Pacific officials, and received a reply that they had not changed their plans.

Senator GORMAN. Suppose you could get an arrangement by which freight would be delivered at the harbor at Castine at the same aggregate rate as freight would be delivered at Halifax, how could you compete with Halifax when they have a subsidized line of steamers?

Mr. DEVEREUX. The only way I see out of that is for our Congress to subsidize a line for us, and deny the bonding privilege to the Canadian Pacific across our State on freight originating on United States soil.

Senator GORMAN. You believe the subsidy given to the line of steamers running to Halifax is five millions?

Mr. DEVEREUX. A half million.

Senator GORMAN. Per annum?

Mr. DEVEREUX. Yes, sir.

Senator GORMAN. Now, in the absence of Congress making such a provision as you desire, you would prohibit, as I understand you to say, the transportation of United States products across and out of the State of Maine for exportation at Halifax or any other Canadian port?

Mr. DEVEREUX. Yes, sir; that is my idea.

Senator GORMAN. If eastern Maine sea-ports can not get the terminal business for United States freights, what would you do?

Mr. DEVEREUX. Shut out the Canadian Pacific entirely on this class of freight, and let United States roads haul it to some other United States sea-port.

All we ask is for Congress to protect all our sea-ports against Canadian and British subsidies, and then let Castine take her chances with the rest. I believe in putting this matter on broad national ground.

With all this, we appreciate and desire, especially in eastern Maine, the advantages of the Canadian Pacific as a short connection between New England and our own Northwest.

By the use of Canadian roads, Portland by the Grand Trunk, and Castine by the Canadian Pacific, are brought as near Minneapolis and Duluth as Boston and New York are by United States roads.

Without the Grand Trunk Portland would have to pay an arbitrary over a Boston rate from the West and Northwest, by United States roads.

Bangor and Castine have to pay an arbitrary now on freight that comes from the West and Northwest, either by the United States roads or by the Grand Trunk via Portland.

The Canadian Pacific by its shorter mileage will give Bangor and Castine a Portland and Boston rate, which will make Bangor the distributing center of eastern Maine, and Castine the shipping port. These ad-

vantages will be brought about by protecting United States sea-ports, because it is more to the advantage of the Canadian Pacific to use Castine as a shipping port than any other port in New England, on account of the shortness of the through route to Europe, and the fact that they can use more of their own road by this route than any other.

With our desire for protection to our sea-ports by denying the bonding privilege across the State of Maine on United States freight, we wish to couple a most earnest protest against any legislation that will prevent the freest interchange of traffic between eastern Maine and the West and Northwest by the Canadian Pacific Railway, for without their competition we never shall have Portland or Boston rates for eastern Maine, and until we do get them our development will be retarded, and we shall have to continue to pay tribute to Portland and Boston, whose merchants now have an advantage over ours in supplying this section.

The following letter was subsequently addressed by Mr. Devereux to Senator Gorman:

COMPARATIVE DISTANCES FROM THE NORTHWEST TO EUROPE BY AMERICAN LINES AND BY THE CANADIAN PACIFIC.

BANGOR, ME., *July* 10, 1889.

DEAR SIR: At your request I have prepared the table of comparative distances inclosed.

By examining the table you will readily see that if the Canadian Pacific Railway were simply seeking for a sea-port for the shipment of European freight they would select Castine for the following reasons:

(1) They would save a 466-mile haul from Brownville, Me., to Halifax, only 42 miles of which is over their own road; of the balance they have 56 miles from the Maine Central, 90 miles from the New Brunswick Railway, and 277 miles from the Intercolonial Railway, a government railway of Canada.

And, in the place of this 466 miles, they would substitute an 83-mile haul to Castine, and when their steam-ship has proceeded 215 miles on its course from Castine to Liverpool it is passing Halifax, thus saving 383 miles of rail and substituting in its place 215 miles of water.

New Brunswick and Nova Scotia claimed they did not have their share of the public expenditure. Nova Scotia agitated secession, New Brunswick annexation; both claimed that their harbors should be Atlantic termini for the Dominion.

The MacDonald government, fearful of losing the support of the Lower Provinces, sought a remedy. Knowing that the snows of Quebec and the Intercolonial Railway were a practical barrier in the way of reaching Halifax or St. John in the winter, and that even the shortest line that could be constructed to these ports would be much longer than to the New England sea-ports, and could not be built or operated successfully without Dominion aid, they offered a subsidy to the Canadian Pacific Railway to enable them to build this line and divert trade from the United States ports.

This has always been evident, because one of the terms of that subsidy is that the Canadian Pacific shall not construct, lease, or operate any road to any of the Atlantic sea-ports outside of the Dominion of Canada.

This is the reason that the Canadian Pacific can not built to Castine, and are asking bonding privileges through the State of Maine.

(2) By shipping from Castine they can use their own road as far as Brownville, Me., 186 miles further than though they diverge at Sherbrooke, Canada, and go to Portland or Boston; this gives them the longest possible haul on their own road consistent with the shortest through distance from Montreal to Europe.

This is the only route available for them by which they can use nearly all of their short line across the State of Maine, and yet reach the seaboard from the Northwest by as short a route as the United States roads to New York, Boston, or Portland, and the Grand Trunk to Portland.

(3) Castine in addition to being on the air line from Montreal to Cape Sable, Nova Scotia, on the route to Europe, is in the center of the sea-coast of Maine, at the mouth of the principal river in the State, and the head of the principal bay, the proper receiving and distributing port for the State. Portland is in the southwest corner. Castine is in the direct line from the interior and Bangor to Boston, New York, etc.; it is the proper point at which to collect the products of the State for shipment abroad, and from which to distribute the summer travel from the Northwest over the coast of eastern Maine.

All this adds to the value of Castine as the terminus.

(4) The harbor is the best for ocean vessels, and safe of approach from sea at all times. Terminal property is cheaper at Castine than at any other terminus; port charges nominal; pilotage unnecessary.

I beg to call your attention to this fact. Eastern Maine has waited for her share of the country's business till all the principal sea-ports of the Atlantic coast have been supplied with direct communication across the continent. The prosperity of the West has returned by these long railroads to Philadelphia, New York, Boston, and Portland as terminal ports. The West has expanded into the Northwest, and the prosperity of the Northwest has overflowed and is now coming back to eastern Maine over the Canadian Pacific Railway, north of the great lakes.

These sea-ports are, including Castine, about equidistant along the coast. By the different routes the distances to the different ports are practically the same. Let the Canadian Pacific make Castine its terminus, and stand its hand with all the rest. Deny it the bonding privilege across United States territory, and you shear it of its subsidy advantages, and protect the interests of eastern Maine; I refer to freight originating in the United States.

We should be willing to be neighborly and allow them to communicate between points in Canada across our State, and I can not see what jurisdiction we have over their Asiatic and European trade, except that we might oblige them to ship it from a United States port. But while in my opinion it would be more profitable for them to do so, rather than ship from Halifax, yet I do not think it would be just, because they have procured that business by legitimate enterprise, and it is theirs if they can hold it. The only legitimate remedy we have for that is for our Congress to subsidize American steamers from our ports on both oceans.

But it is legitimate, and the interest of eastern Maine demand that our Congress should incorporate into our laws that all freight originating on United States soil, or coming from United States connecting roads, if it is transported through Canada into the United States again, shall be shipped from a United States sea-port if bound across the ocean, and shall not re-enter Canada for shipment from provincial ports.

I am, sir, very respectfully, your obedient servant,

A. M. DEVEREUX,
General Manager Castine Railway and Navigation Company.

Hon. ARTHUR P. GORMAN,
United States Senator, Boston, Mass.

Comparative distances between United States and Canadian Pacific routes from the Northwest to Europe and the Atlantic sea-coast.

	Miles.	Miles.
Duluth, Wis., to—		
Minneapolis	152	
Chicago	572	
Buffalo	1,112	
Albany	1,409	
New York	1,551	
Boston	1,609	
Portland	1,717	
Bangor	1,853	
Castine	1,891	1,891
Soo Bridge	435	
Montreal	1,061	
Brownville, Me	1,355	
Castine	1,438	1,438
Difference in favor of Canadian Pacific route		453
Minneapolis to—		
Chicago	420	
Buffalo	960	
Albany	1,257	
New York	1,399	
Boston	1,457	
Portland	1,565	
Bangor	1,701	
Castine	1,739	1,739

	Miles.	Miles.
Minneapolis to—Continued.		
Soo Bridge	494	
Montreal	1,120	
Brownville, Me	1,414	
Castine, Me	1,497	1,497
Difference in favor of Canadian Pacific Railway		242
Montreal to—		
Brownville, Me	294	
Halifax	760	
Liverpool	3,240	3,240
Brownville, Me	294	
Castine, Me	377	
Liverpool	3,072	3,072
Difference in favor of Castine route to Europe		168
Brownville to Halifax by rail		466
Brownville to Castine by rail	83	
Castine to Halifax by water	215	298
Difference in favor of Castine route from Brownville to Halifax		168

Should the Canadian Pacific adopt Castine as a shipping port, there would be 383 miles less rail than by way of Halifax and 215 miles more water. Freight is moved cheaper by water than by rail.

RECAPITULATION.

	Miles.
Duluth, Wis., to Castine, Me.—	
United States roads	1,891
Canadian Pacific	1,438
Difference in favor of Canadian Pacific	453
Minneapolis to Castine—	
United States roads	1,739
Canadian Pacific	1,497
Difference in favor of Canadian Pacific	242
Duluth to Liverpool via Canadian Pacific to—	
Halifax (1,821 rail + 2,480 water)	4,301
Castine (1,438 rail + 2,695 water)	4,133
Difference in favor of Castine	168
Minneapolis to Liverpool via Canadian Pacific to—	
Halifax (1,880 rail + 2,480 water)	4,360
Castine (1,497 rail + 2,695 water)	4,192
Difference in favor of Castine	168
Montreal to Liverpool via Canadian Pacific to—	
St. John (483 rail + 2,700 water)	3,183
Castine (377 rail + 2,695 water)	3,072
Difference in favor of Castine	111

If the Canadian Pacific Railway are refused permission to transport freight across the State of Maine in bond for shipment to Europe from Halifax, they can avail themselves of Castine as the most easterly terminus in the United States consistent with the shortest through route from the Northwest to Europe.

At the same time they can avail themselves of the longest haul on their own road, consistent with the shortest through route, viz, to Brownville, Me., which is within 43 miles of their extreme eastern terminus at Mattawamkeag, at which point they begin to run over the roads of other companies to St. John and Halifax, hiring running rights.

The harbor of Castine is admirably adapted for a terminal business, and is the best deep-water, safe, open harbor on the Atlantic sea-coast. (See chart.) Sandy Point, Fort Point, Belfast, Camden, Rockport, and Rockland harbors in Penobscot Bay, and Bar Harbor and Hancock Point in Frenchman's Bay, are not suitable deep-water or winter harbors for ocean-going vessels. Rockland, Bar Harbor, and Hancock Point are not harbors for any class of vessels with the wind blowing in from sea; they have no protection at their mouths and are not deep enough for ocean steamers.

I am perfectly familiar with all the principal harbors from Halifax to New York as regards their suitability for ocean termini, and will, if desired, give a description of each one, its advantages and objections.

Yours, very respectfully,

A. M. DEVEREUX,

General Manager Castine Railway and Navigation Company, Bangor, Me.

The Interstate Commerce Committee of the United States Senate.

STATEMENT OF J. GREGORY SMITH.

Mr. J. GREGORY SMITH, president of the Central Vermont Railroad Company, appeared.

The CHAIRMAN. Where do you reside, Governor?

Mr. SMITH. At St. Albans, Vt.

The CHAIRMAN. You know the object of this investigation and what you desire to say on the subject before us, and we would therefore like to have you state it in your own way without examination or questioning on our part.

Mr. SMITH. I prefer to be cross-examined.

The CHAIRMAN. We prefer that you talk in your own way for a while at least.

THE CENTRAL VERMONT SYSTEM.

Mr. SMITH. There are so many points connected with this matter that it is very difficult for me to see precisely where to begin in the light of reaching those particular points that come within the province of this committee.

I represent here what is known as the Central Vermont system of roads, covering in its own operation between 750 and 800 miles of road. At the northern end of our line—the northern portion of it—we connect directly with the Grand Trunk road. We own and control a line running eastward in the eastern section of Canada, and connecting at its terminus with the Canadian Pacific road.

The CHAIRMAN. Will you give the names of the lines as you refer to them?

Mr. SMITH. The line from St. John to the connection with the Canadian Pacific, in Canada, for eastern Canada, is called the St. John and Sherbrooke Railroad.

The CHAIRMAN. How long is that line?

Mr. SMITH. It is 43 miles to the point of connection with the Canadian Pacific. We connect, also, at Richford, in my county, in Vermont, directly with the Canadian Pacific, for the eastern portion of Canada, and for what is known as the North Shore line, a line on the northern side of the river St. Lawrence, running from Ottawa to Quebec, which has a large commerce and finds its principal market in New England. It runs through probably the most extensive hay country in Canada.

Senator BLAIR. And that is situated on the north side of the St. Lawrence?

Mr. SMITH. Yes, sir; and the road that runs from Ottawa to Quebec, we connect with there. We connect with the Grand Trunk for the

Province of Quebec, and with its connections east and northeast at Quebec. We also connect there with the Grand Trunk for all points lying west of Montreal, reaching out in the Western States to Chicago and the State of Michigan, and with all their systems of roads there, and for all the roads that center upon their main line running to and into the Province of Ontario.

We connect at a point called St. Polycarpe, on the north side of the St. Lawrence, directly with the Canadian Pacific Railroad at Ottawa. We have two connections with the Canadian Pacific there. We connect at Ogdensburgh, opposite Prescott, on the other side of the St. Lawrence River, with the Canadian Pacific again, and receive a large amount of the products of Canada from them there. We connect with the Ogdensburgh Railroad, which we control, with a line of steamers, which we also control, running to all points on the lakes as far as Chicago and Duluth. We connect at Norwood, a station on our Ogdensburgh division, with the Rome, Watertown and Ogdensburgh Railroad, which runs to Suspension Bridge, and there connects with the Canadian roads that center at the Suspension Bridge. We are in connection, through the Grand Trunk Railway, with their water line via Fort Gratiot and Port Huron. We also connect, through the Canadian Pacific Railroad, with a line of steamers running from Chicago to Georgian Bay, and we also connect at that point with their line of steamers running to Duluth and Lake Superior.

Those constitute, with their branches radiating from them, all our northern and western connections. Our principal line of control, so far as lake and rail are concerned, is by our own line via Ogdensburgh and the line of steamers which connects and runs from us to Chicago and all the lake ports.

On the east, rather tending towards Boston, we have a connection at Swanton, about 16 miles east of Rouse's Point, with the Boston and Maine system, leading through the northern portion of Vermont, traversing the entire width of the State at that point, and connecting with them for northern New Hampshire, and so on to Boston, over which we have quite a large traffic. We connect with the Boston and Maine at Essex Junction, or rather, by reason of the control we have of a line running from that point to Cambridge Junction, we connect with the same road again, and get from the lake traffic and from the lines on the opposite side of the lake more or less traffic going over their road at that point.

At Montpelier we connect with what is called the Montpelier and Wells River Railroad, and we connect with the New Hampshire line, until recently under the control of the Boston and Maine Railroad Company, but now under the control of the Concord road, for the distribution in that part of New Hampshire, over which we have quite a traffic. We connect at White River Junction, on what we denominate our main line, with the Boston and Maine road, and so over what was the Boston and Lowell road, now controlled by the Boston and Maine, over which the largest portion of our traffic destined for interior New England and Boston passes.

Further south, at Bellows Falls, we connect with the Cheshire road, which opens to us the line into Boston over the Fitchburgh road and down on to the Worcester and Providence road and the Old Colony Railroad, which leads us down into lower Massachusetts and Rhode Island. They also have several branches to their road which are feeders to our line and outlets for the traffic which we carry. We connect further south and control the line through to the Sound over what is

known as the New London Northern Railroad, which is under our management, with a line of steamers running from the road to New York.

The CHAIRMAN. Between what points is that railroad?

Mr. SMITH. That road runs from Brattleborough to New London. There we own a line of steamers which runs into New York, and we have various connections with the roads that run into the New London system through Massachusetts and Connecticut and also into Rhode Island by that line.

We also connect at a point called South Vernon, about 10 miles south of Brattleborough, with the Connecticut and Ashuelot road. We have what is called the Connecticut River line, which carries us down the Connecticut River and on to Springfield, thence to Hartford, New Haven, and New York, connecting there with their line of steamers, as well as their rail line into New York, which gives us a very large traffic and opens quite a large territory for distribution of traffic. We have branch lines leading up into Vermont from these lines, which become feeders and afford opportunities for distribution for local consumption of the traffic that comes from the West.

At Burlington we control the Rutland system of roads, which forms our line to New York via the New York Central and Hudson River Railroad, as well as with the Hudson River route, over which we have a large traffic. We connect also with the Delaware and Hudson system of roads at Rutland, who interchange with us a very large traffic, both east-bound and south-bound as well as west-bound.

Those constitute our line of connection—our feeders, if you please to call them such—and our outlets for the traffic which we carry, making within our own management and operation, independent of our boat lines, nearly 800 miles of road that we control, all of which are interested in this question which is now before you, and why? Because they all subserve the purpose of feeding New England, distributing the products of the West into all parts of New England, and so become very intimately interwoven with the subject which you have under consideration.

It is not necessary for me to state that all the territory covered by our system, and reaching down into New Hampshire, Massachusetts, Connecticut, and Rhode Island, is all dependent for its main supply of breadstuffs and food upon the West. No State in New England raises enough to supply its population. Our line is the most direct and the cheapest for the supply of the great manufacturing districts in New England north of Boston, like Lowell, Lawrence, Concord, and all those places. We are in more direct communication by the cheapest and shortest line through our connections to the West for the supply of those points. They constitute, perhaps, a larger distributive district than even Boston itself.

Now, then, the question arises, Mr. Chairman, what is to be the effect of any disturbance of the relations existing at present for the direct and speedy transportation of all the material we bring in to supply this wide territory and this large population? The tonnage passing over our road amounts to very nearly 3,000,000 of tons annually, over one-half of which is what we denominate through tonnage—tonnage coming from the West to the East to supply the demand and to feed the population here.

While I have listened to and read the testimony which has been given before you, and while I have heard a great deal of discussion on this question of restricting the commerce which passes over the Canadian lines, it has seemed to me that the points which are raised are not sound. They are more or less specious. They do not comport with facts. They

are not predicated upon a sound business principle. That is the view, it seems to me, one must take when he comes to understand fully the geographical situation and the physical condition of the roads under consideration, and particularly that of the Canadian Pacific, which is charged with being the most obnoxious, because of interference with American roads.

THE GRAND TRUNK AND THE INTERSTATE LAW.

I hear very little complaint so far as the Grand Trunk and its system are concerned, for the reason that it has been clearly established to the minds of all that the Grand Trunk has conducted its business upon a sound basis.

I doubt if there is a president of any of the competing lines known as the trunk-lines who would be unwilling to admit that in all the dealings of the Grand Trunk system, so far as its relation to the interstate commerce law is concerned, they have endeavored to conduct their business upon sound business principles, and to recognize the fact that they are to a large extent dependent for the prosperity of their road upon their relations to the American traffic, to the traffic of the United States. They are the simple medium of transportation from one important point of the United States to another—from the point where the products of the country are raised to the consumer. It is the medium by which what the East has to eat is brought to them, and so the Grand Trunk feels itself compelled, as a pure matter of self-protection and as a matter of sound policy, to conform to such rules and regulations and fair dealing as the roads in the United States are compelled to conform to under the interstate commerce law, whether all its provisions be sound and wise or not.

In all my intercourse and association and experience with the Grand Trunk road—and we are in daily communication with them on all the points involved in this inquiry—I have found that in practice they have not only shown a readiness to conform to the requirements of the law, but also a ready disposition to throw no obstacle in the way of its fair execution.

THE CANADIAN PACIFIC AND ITS LOCAL TRAFFIC.

I have never yet found in my experience with the Canadian Pacific road any willingness or readiness or desire to force business that way, except on business principles. I do not believe that the Canadian Pacific would attempt to recoup from the inhabitants of Canada what it is alleged they lose by low rates on through traffic, for the simple reason that, traversing as they do almost an entire wilderness from the time they leave Ottawa until they reach Port Moody, there are no opportunities to recoup. There is no such local business on the line of that road as would enable them to recoup if they had the disposition so to do. It is a very sparsely settled country, and miles and miles of railway have to be maintained and operated and the transportation of the through freight done with scarcely a watering place, with no population to help support it.

Hence to my mind, with what little knowledge I have of railroading, I think the fact that they are compelled to carry that freight and support their railroad forms of itself, without the intervention of Congress or anybody else, a sufficient protection to the American lines dotted all along as they are through this country with thickly populated sections

and places, affording an immense traffic known as local traffic, and therefore the physical condition of the two systems is of itself a protection, or else the Canadian roads must involve themselves in losses on every ton of freight they carry.

THE CANADIAN PACIFIC SUBSIDY.

The CHAIRMAN. Without intending to interrupt your line of statement, we would like to know what you have to say with reference to government aid to the Canadian road. It is a question if it makes any difference to the Canadian Pacific whether it makes money or loses money on the traffic passing over its line.

Mr. SMITH. I think the government aid was necessary in order to build that road. It never would have been built on private capital, and the fact that the Canadian Government assisted the line does not in my judgment enter into this question. Even if the government assumed the management of the line it could not afford to haul the freight from Port Moody through a barren wilderness hundreds and hundreds of miles in extent without compensation. They could not haul this traffic and get out of it nothing to support them in the way of local traffic. In the absence of the local traffic they can not make any serious competition with the American roads. Our roads are dotted with an immense population that affords a large amount of traffic. That fact alone in my judgment would preclude the idea of the Canadian Pacific offering serious competition with our roads.

I am no friend of the Canadian Pacific. I have no interest in that company. We get business from them and do it on business principles, but I will say this, that in all my communication and experience with those gentlemen (they are sharp men I admit) I have not found the least inclination on their part to share in reduced rates and no more inclination to cut rates than I have met with among competitors here at our door. I have found vastly less of that sort of thing on their part than on the part of our own roads, and when by accident or design the rates have been cut either to the West or to the East over the lines I represent, I have experienced more difficulty in getting the Canadian lines to consent to share with us in the reduction than I have found from the very competitors we are contending with here in New England.

So, Mr. Chairman, to my mind, there is a great deal that is specious in this matter and there is a great deal that is fallacious. I am not saying that because I want to controvert the point claimed here that in order to satisfy an unreasonable demand it would be wise or best for Congress in some way to step in, or have our Government interfere, because I do not believe it can be cared for by legislation.

A SUBJECT FOR TREATY, NOT LEGISLATION.

It is not a subject for legislation. I do not believe such a proposition could be carried, and if a fair relation is expected to exist or to subsist between the Canadian system of railroads and our system it must be done on a basis different from independent legislation on the part of one or both Governments.

This is a subject for treaty. It is a subject of fair dealing between two governments, and if Congress were to enact a law which should in any way be restrictive, which should aim at non-intercourse unless certain conditions are complied with by the Canadian lines, I think it would

be most disastrous to our Government, to all the material interests of the country, to the very roads that are now complaining of the competition of the Canadian system. It means retaliation. It means further disturbance of the relations between the two Governments, which should be friendly and which are already sufficiently strained. It means disaster to commerce; it means just what two governments should avoid, and that is, conflict; and the only way by which, in my judgment, this problem can be solved, if it is a problem which needs solution, is by such friendly intercourse between the two Governments as places their restrictive policies on a like basis, and it is the only way it can be reached.

Let me call your attention to this: Commerce is best promoted and rendered prosperous by a community of interest between the producer and transporter on the one side, and between policies which govern the systems of two conflicting interests like the Canadian and the American systems of railroads. Antagonism is what is destructive to both and would injure both.

AMERICAN INTERESTS IN THE CANADIAN ROADS.

Now, I was a little surprised at the statement made before your committee the other day by the president of one of the lines which reaches the West that they had no interest in the Canadian system of railroads. I think the president who made that statement did not fairly consider the extent of the assertion he made. I do not think he intended to misrepresent the facts; I know he would not; but I think he had not before him all the facts and all the relations which his road bears to the Canadian roads.

Take the peninsula in Ontario. Look at the roads that run across the peninsula. The Canada Southern, owned and controlled by the New York Central; the Great Western, running direct from Suspension Bridge to Detroit, in which all the roads that center at Suspension Bridge are interested; above them the Grand Trunk system of roads. Cut them off, if you please, and what is the result to the commerce of all the territory north of Pennsylvania and east of Buffalo and Suspension Bridge? Is it not to relegate commerce to one line practically? The New York Central has a line independent of everybody else through to Chicago on the south shores of Lakes Erie and Michigan; the Erie has no line of its own, but runs in connection, and to that extent as a business transaction may be said perhaps to control a line from Chicago, by way of the Chicago and Atlantic road East; the Nickle-Plate is under the control of the New York Central; it is guided in its policy by it; the Pennsylvania has its line of railroad to Chicago; the Baltimore and Ohio has its road—three roads, and that is all.

Now, then, I submit the question, would it be a healthy state of things, a fair, a rational, a reasonable state of things, to compel all this traffic which comes to New England and all northern New York, and to a great extent central New York, to be forced into a line as far south as the Michigan Southern road, and be lifted back again, at an expense, because it can not but cost somebody something to take this whole volume of bread-stuffs and of food and lift it back again into northern New York and into New England? At the same time does it not serve this purpose, for everybody who knows anything about the tonnage and the amount of transportation knows this: That in a good season, with business and commerce active and the supply full, there is enough for all the roads. We all have all we can do. We are more disturbed for means and ways to haul the traffic than we are for business.

Now would it be wise to turn all this traffic—take what we handle ourselves, 3,000,000 tons—to those roads and thus overload them? They have been overloaded this very season. The Pennsylvania and the New York Central were under a perfect blockade, if the papers are to be believed, and I have no doubt what they stated was true, and that the roads mentioned were overloaded.

Now I submit would it be a wise thing to do to take all that traffic in which northern New York, in which central New York, if you please, is interested, because, bear in mind, independent of the New York Central, independent of the Pennsylvania road, or of the Erie road, here stand several roads in New York which pass through the interior of that State and carry a vast amount of traffic which is distributed to the people there. There is the Delaware, Lackawanna and Western, the Rome, Watertown and Ogdensburgh, and divers other roads with which New York State is grid ironed, all dependent upon the traffic that must come from beyond the boundary of Canada. Would it be a wise thing to do to cut off the Canadian roads and thus throw all that traffic upon one or two lines?

A restrictive policy on the part of the Government of the United States here as against the Canadian roads means one of two things, unless it is done by treaty. It means the engendering of a system of antagonism, because the party restricted believes that a wrong is done, and that means retaliation. Shut off these Canadian railroads and where would you have the facilities for feeding this great population east of Buffalo?

So I say, and I say it without fear of contradiction by anybody who will examine the subject carefully, that it would be the most unwise and unsound policy on the part of our Government to attempt in any offensive form, through the medium of legislation, to control this question. It is a sober question, and it needs sober management, and it needs legitimate methods to bring it around.

I grant that I would be very glad myself, so far as the interests which I represent are concerned, to have such restrictions put upon the Canadian roads as to bring them into harmony with our roads, and yet I have seen no reason of complaint. But I see a danger; I see a possibility of danger in the present condition of affairs, but I do not believe that men in the sound management of a railroad on business principles would ever resort to it, except in retaliation; not as a business principle.

Therefore, Mr. Chairman and gentlemen of the committee, on the great point which you are considering, I respectfully submit as a question of policy, even for the complaining parties here, much more for those who are not complaining, whether it would be sound policy, even if Congress were disposed to put any such restriction upon these Canadian roads as to lead to retaliatory action on the part of the Canadians—and anything short of a settlement of the question by negotiation between the two Governments, so that the Parliament of Canada may [illegible] which will govern and bind their constituencies, these roads that they control, bind them as Congress has bound our roads, would fall short of securing the desired end—would it be good logic and sound policy to do any such thing?

OUR COMMERCE UPON THE LAKES.

Were a policy to be adopted which the Canadians would regard as offensive, I beg leave to suggest another disaster that would come. Our line of steamers, and all lines of boats which pass east of Lake Erie, are dependent upon the courtesy of Canada to-day.

The CHAIRMAN. What are they dependent upon?

Mr. SMITH. They are dependent upon the courtesy of Canada to-day. We can not get into Lake Ontario except through the Welland Canal, and that is all in their territory and under the control of Canada.

Now, what would you do with all the commerce of Lake Ontario with the Welland Canal shut up against American boats? Where would we be? And that is just one of the possibilities, and, in my judgment, the probability—almost a certainty—if any legislation is enacted by Congress which becomes antagonistic to the Canadian railroads, and it does not take very much now, in the disturbed condition of affairs, with all the questions that are pending between the two Governments—between Great Britain and the United States—in regard to Canada, to stir up further animosities which will lead, perhaps, to very injudicious results on their part; but men do not always stop to think what is good judgment and what is not when they are mad.

A QUESTION TO BE SETTLED BY NEGOTIATION.

So it seems to me that this Government can not afford to throw any more disturbing elements into this great question until they have settled the questions now at issue. I have no doubt that if proposals were made with a fair spirit and on a reasonable basis, that the Government of Canada would co-operate with our Government in equalizing what are now considered difficulties and burdens upon the American system of railroads.

If I remember Mr. Hickson's testimony given in New York before your committee, he signified his willingness to enter into any assurance that would be asked of him that the whole traffic of his road should be submitted and subordinated to the interstate commerce law. I think that was his statement. So far, Mr. Chairman, on that point. I do not know that there is any other point that you wish me to discuss.

The CHAIRMAN. As I understand you, then, you are willing to say that if the American people are at a disadvantage under the present condition of affairs it ought to be corrected?

Mr. SMITH. Yes, sir; clearly so.

The CHAIRMAN. You seem to intimate that any attempt at righting by legislation whatever wrong there is, if there is any, would be regarded by the Canadian Government and the people of Canada as offensive.

Mr. SMITH. I think it would be so construed by them; they are very sensitive. I have been closely associated with them, and I know their feelings. I think any attempt at what the Canadians might construe as non-intercourse, like restricting commerce, taxing their cars, laying imposts upon them in any form, while our commerce can pass as freely through their territory as it passes through our own—we have just as good connection to the Northwest and West and to Chicago by our line as any line on American soil to-day, all through the courtesy of the Canadian Government—would have that effect. In my judgment the benefit which accrues to the Canadian Government by means of this outlet through the United States is small, is nothing, in fact, as compared with the benefits which our people derive. In other words, to declare non-intercourse would not hurt Canada as much as us.

The CHAIRMAN. This Canadian road has been built from Puget Sound to the American border.

Mr. SMITH. Yes, sir.

The CHAIRMAN. This road can not exist if they have nothing to carry on it, and it could not exist without the American business.

Mr. SMITH. No, sir; probably not. But the country is developing, and they get a little local business.

The CHAIRMAN. Is it not a matter of fact that the Canadian Pacific is keeping itself alive to some extent—and if there is very little Canadian traffic proper it must be pretty largely—by the business which it gets that in some way touches the United States? If that is not so, the road must be kept alive by the Canadian Government. Is that not so?

Mr. SMITH. In one aspect it is, but it is not fully, in my judgment.

EFFECT OF THE SHORT-HAUL CLAUSE.

What I mean is this: Prior to the adoption of the interstate law, particularly the long and short haul clause, our railroads had no reason to complain, nor am I aware that they ever complained, of any competition by the Canadian railroads. It is the restriction which the long and short haul places upon the long lines which makes the difficulty; and if you will allow me, Mr. Chairman, I will give you an instance or two which will illustrate my idea exactly.

The operation of the long and short haul clause, so far as our State and our road are concerned, and so far as New England is concerned, is very prejudicial, because all our traffic is interstate. We have not margin enough, we have not area enough in our State to form manufacturing centers and commercial centers on which to sustain ourselves, and we simply become a carrying ground to feed somebody else. Now, across the lake, just opposite us, in New York, we find that the roads are all within the State. Everything is within their control, and they have the advantage of us all the whole.

Take the lines competing with us in the northern part of the State. They will make rates which will give facilities that the interstate law says are discriminations. They give them freely, because they do not come within the limitations of the law. They are a law unto themselves. Hence we are shut down in commerce.

Take, for instance, the great hay district which lies about there in Canada and on the other side in New York. We can not compete for that business; the New York roads take it every time. Why? Because the moment we cut the rate, and we have got to cut in order to get the business, we have to lower our local tariff all the way down to Boston to conform to it. We go through New Hampshire and Massachusetts, and we have to call upon Mr. Furber to lower his rate. We have to call on the Concord road to reduce its tariff in order to meet the rate that the Delaware and Hudson make for this traffic.

Therefore the law operates unfairly and unequally in that respect. I believe in Congress controlling the commerce of the country. I believe that under the Constitution Congress has not only the right to do so, but I think it is a wise thing to do. But my objection to the law, if I may be permitted to have any objection, is that Congress comes into the province of the State, and says we there must do certain things, which I am not quite prepared to admit Congress has the right to do. We can not go along, however, and conform to the general law without subjecting ourselves to great penalty if we disobey it.

In the case between the Boston and Albany and the Vermont Central, where the Boston and Albany thought we were getting a little more freight out of Boston than we ought to get, they looked up the rates on the line of our road, and found that our through tariff from Boston to Chicago was in some respects lower than the local tariff from Boston to Ogdensburgh. Therefore they brought a complaint before the Interstate

Commerce Commission, and so we had to either cut the Ogdensburgh rate down, or else raise the Chicago rate.

The CHAIRMAN. Do you mean to say that you were charging more from Boston to Ogdensburgh than you were from Boston to Chicago?

Mr. SMITH. Yes, sir; we were charging more from here to Ogdensburgh than to Chicago; our tariff from Boston to Ogdensburgh was a shade higher than the through rate in a severe competition between the lines here.

The CHAIRMAN. Do you mean to say that you were charging more in the aggregate?

Mr. SMITH. Yes, sir; charging more to Ogdensburgh than to Chicago.

The CHAIRMAN. Do you think that was right?

Mr. SMITH. Yes, sir.

Senator HARRIS. What is the difference in distance between Boston and Chicago and Boston and Ogdensburgh?

Mr. SMITH. Chicago by our line is probably a thousand miles farther than to Ogdensburgh. We have to go to Ogdensburgh to connect with our boat line. It is a water line from Ogdensburgh to Chicago.

Serious competition was going on here between the trunk lines. We all got to quarreling. All were cutting rates, and rates had gone down marvelously low. When such a condition of things exists the question is, Shall a road go out of business, house its engines, store its cars on side tracks, discharge its men, etc., or, as manufacturers often do, work at a loss until the thing is cured? The moment we refuse to carry freight for our customers they leave us and go elsewhere.

Therefore we are obliged, particularly when the crops are short and the freight is short—the roads have their equipment on their hands, they do not want to put their engines in the house, put their cars on a side track, and dismiss their men—we are compelled to go to work and keep the staff together, and such severe competition is the result that the through rates oftentimes go below the local rates, as they did in the case I have mentioned. In that case the business men of Ogdensburgh, unsolicited, signed a memorial to the Commission begging them not to enforce the law, because they were perfectly satisfied with what we were doing.

Senator REAGAN. What is the distance by your land road from Boston to Chicago.

Mr. SMITH. By the all-rail route it is a little over 1,100 miles.

Senator REAGAN. Eleven hundred miles going through the Canadian territory?

Mr. SMITH. Yes, sir; by way of the Grand Trunk road.

Senator REAGAN. What would be the distance by the shortest road south of the lakes?

Mr. SMITH. If I remember aright, there is about 70 or 80 miles difference between our line and the New York Central.

Senator REAGAN. Which is the shorter line, your line or the New York Central?

Mr. SMITH. The New York Central.

Senator REAGAN. Do you understand that there has been any serious change in the rates on freight over the Grand Trunk road within the last twelve or eighteen months, whether the rates on the Grand Trunk have been raised or lowered in the last eighteen months?

Mr. SMITH. Do you refer to through rates?

Senator REAGAN. Yes, sir.

Mr. SMITH. I think the Grand Trunk conforms to the published rates agreed upon by all the roads.

Senator REAGAN. I do not know what the published rates are.

Mr. SMITH. At this moment I think the rates are a little lower on all the trunk lines.

Senator REAGAN. If the tariffs are the same on all the roads, and the roads south of the lakes are the shortest, why do you not get lower rates on the roads south of the lakes?

Mr. SMITH. For the reason that we are the longer line out of Boston, and in the interest of harmony between the railroads the different lines give to us a differential, which they allow us to use without being chargeable with breaking the rates.

Senator REAGAN. Do all the trunk roads agree to that?

Mr. SMITH. Yes, sir.

Senator REAGAN. So that there is no difference between the Grand Trunk and the American trunk roads.

Senator HISCOCK. That differential is only allowed on west-bound freight.

Mr. SMITH. It is mainly used West. It is granted on eastward freight, but it is seldom used.

The CHAIRMAN. Why is the differential not used both ways?

Mr. SMITH. For the reason that it would make great disturbance, and although it is conceded to our line on account of being the longer line, in order that we might be on a more equal footing with the other lines, yet we find it better not to apply it.

The CHAIRMAN. There is a redundancy of freight at the West, and there is no occasion for your road to use it.

Mr. SMITH. We get our share of east-bound business, but going west there is not enough traffic to load all the cars of every line.

Senator REAGAN. If the roads south of the lakes are shorter than the Grand Trunk, and the rates are the same on both, why is it that you do not get your freight coming East cheaper on the trunk roads south of the lakes than on the Grand Trunk?

Mr. SMITH. When I said the rates were the same I meant to the initial point here at Boston. Here is the difficulty. Take the Boston and Albany, for instance, as the outlet of the New York Central at some point between Albany and Boston. On freight going into northern Vermont and northern New Hampshire for shipment over our line they must let that freight off and put it on some side line to bring it up to us. That makes it cost a great deal more. I do not know that it would make any difference to Boston, but to the territory north and east of Boston it makes a great difference.

Senator REAGAN. Are you aware of there being a very large increase in the amount of business done on the Grand Trunk road since the passage of the interstate commerce law by Congress?

Mr. SMITH. I do not recollect, sir. I have seen the statement of the Grand Trunk of the amount of tonnage carried by it, but I can not say as to the aggregate on their entire road. I can only speak so far as their connection with us is concerned.

Senator REAGAN. Give us that.

Mr. SMITH. So far as their connection with us goes, it has diminished rather than increased. On the aggregate I understand it has increased.

Senator REAGAN. You are not advised as to the increase on the roads south of the lakes as compared with the increase on the Grand Trunk?

Mr. SMITH. I do not think that the roads south of the lakes have increased in tonnage correspondingly.

Senator REAGAN. I did not know but what you might have definite information. It has been given to us that the increase of tonnage on the Grand Trunk has been very large as compared with the other roads.

Mr. SMITH. I can not speak definitely, not having the data before me.

Senator REAGAN. I intended to ask you to what the large increase on the Grand Trunk road at the expense of the roads south of the lakes was attributable?

Mr. SMITH. I have not enough data to answer that.

The CHAIRMAN. That is all, governor. We are much obliged to you for coming down here.

I desire to have put in the record in this connection the correspondence which has taken place between Governor Smith and myself in reference to the questions the committee is directed to investigate.

The letters are as follows:

SPRINGFIELD, ILL., *June* 27, 1889.

DEAR SIR: The Committee on Interstate Commerce of the United States Senate will meet in Boston on July 5 to continue its investigation into the relations between the United States and Canada as they affect the transportation interests of this country.

You will very greatly oblige me if you will have forwarded to me at the Hotel Vendome, in Boston, by that date, a statement covering the following inquiries:

1. Will you kindly have prepared a statement describing the various routes between Boston and points west of Buffalo, Pittsburgh, Wheeling, and Parkersburgh. In so doing, please have stated in their order the several lines out of Boston, with their water and rail connections, as follows:

(1) Central Vermont, all its rail and water, and water and rail connections.

(2) Boston and Maine, all its all rail connections, including Canadian Pacific, and its water and rail connections, if it has any.

I would be glad to have this statement show not only all rail, rail and lake, and rail, canal, and lake, but also rail, sound, steam-boat, and rail and ocean, coastwise steamer and rail.

2. I would be glad to have a statement showing the class rates prevailing at the present time over each particular route described in the foregoing schedule of routes.

3. Does the object of securing traffic cause the Fitchburg Railroad, the Boston and Albany Railroad, and the New York and New England Railroad Company to be equally interested in maintaining between Boston and the West rates which are relatively low in comparison with New York and other sea-board rates?

4. In your opinion, is it probable that as low relative rates would prevail in the absence of Canadian railroad competition as now prevail?

5. Will you please state the facts in regard to the application made to the Interstate Commerce Commission for an order compelling the Eastern trunk lines and the New England railroads to make the same rates between Boston and the West as are made between New York and the West, stating (*a*) the points at the West to which the application referred; (*b*) the particular commodities to which it referred; (*c*) the decision of the Commission, and the considerations upon which it was based; (*d*) any additional statements in regard to the matter which you may desire to make.

6. What do you think will be the effect upon the commerce of Boston of the Canadian Pacific Railway line through the State of Maine?

Very respectfully,

S. M. CULLOM.

Hon. J. GREGORY SMITH,
President Central Vermont Railroad Company, St. Albans, Vt.

CENTRAL VERMONT RAILROAD, PRESIDENT'S OFFICE,
St. Albans, Vt., July 5, 1889.

MY DEAR SIR: Yours of June 27 did not reach me until Monday of this week, and would have been earlier replied to but for my necessary absence for a portion of the time since.

I send you herewith a reply to the inquiries made in your letter, together with the other information you desired.

I hope it is in intelligible form, though not quite as I would have had it had I been at home to give it personal attention. I replied to your telegram to-day that I would be in Boston Monday, if you could not favor me by postponing until Tuesday.

I am, very truly, yours,

J. GREGORY SMITH,
President.

Hon. S. M. CULLOM,
Vendome Hotel, Boston, Mass.

ROUTES TO WESTERN POINTS FROM BOSTON.

Boston and Albany Railroad to Albany, thence over New York Central to Buffalo, thence by rail to Cleveland and points west thereof; also by steamer, etc.; also canal from Albany.

New York and New England Railroad to Newburgh, thence over New York, Lake Erie and Western Railroad and West Shore Railroad to Buffalo, thence by rail or steamer to Cleveland and points west thereof.

New York and New England Railroad to Willimantic, thence over the New York, New Haven and Hartford Railroad to New York, thence over the Pennsylvania Railroad to Pittsburgh and points west thereof and to Erie, thence by steamer to Cleveland and points west thereof.

New York and New England Railroad to New London, thence by steamer to New York, etc.

Fitchburg Railroad to Rotterdam Junction, thence over the West Shore Railroad to Buffalo and Suspension Bridge and points west thereof, also to Buffalo, thence by steamer to Cleveland and points west thereof.

Fitchburg Railroad to Mechanicsville, thence over the Delaware and Hudson Canal Company and New York, Lake Erie and Western Railroad, or Delaware, Lackawanna and Western Railroad, to Salamanca and Buffalo and points west thereof, also to Buffalo, thence by steamer to Cleveland and points west thereof.

Fitchburg Railroad to Rotterdam Junction, thence by canal to Buffalo, etc.

Fitchburg Railroad, etc., to Schenectady, thence by canal to Buffalo, etc.

Central Vermont Railroad to St. John's, in connection with Grand Trunk Railroad to Montreal and points west thereof.

Central Vermont Railroad to Norwood, in connection with Rome, Watertown and Ogdensburg Railroad to Watertown and points west thereof.

Central Vermont Railroad to Rouse's Point, in connection with Canada, Atlantic and Canadian Pacific Railways, to Ottawa and points west and east thereof.

Central Vermont Railroad to Richford, in connection with Canadian Pacific Railroad to Montreal and points west and east thereof.

Central Vermont Railroad to Ogdensburgh, thence by steamer to Cleveland and points west thereof.

Boston and Maine Railroad to Newport, in connection with the Canadian Pacific Railroad via North Conway to Montreal and points west thereof.

Boston and Maine Railroad via Portland, in connection with the Grand Trunk Railroad to Montreal and points west thereof.

Boston and Lowell Railroad via Concord to Newport, in connection with the Canadian Pacific Railroad to Montreal and points west thereof.

Boston and Lowell Railroad via White River Junction to Newport, in connection with the Canadian Pacific Railway to Montreal and points west thereof.

Boston and Maine Railroad via Portland to Canadian Lower Provinces over the Maine Central and Canadian Pacific Railway.

By Portland steamers, thence by all rail lines to the West.

By steamers to Philadelphia and Baltimore, thence by Baltimore and Ohio Railroad to Parkersburgh and points west thereof.

Freight rates to and from Chicago.

In cents per 100 pounds.

	1	2	3	4	5	6
To Chicago, all rail:						
Boston and Albany Railroad, Fitchburg Railroad, and New York and New England Railroad	75	65	50	35	30	25
Central Vermont Railroad and Boston and Maine Railroad (less the differentials)	75	65	50	35	30	25
From Chicago, all rail:						
Boston and Albany Railroad, Fitchburg Railroad, New York and New England Railroad, Central Vermont Railroad, and Boston and Maine Railroad	85	71	55	40	35	30
To Chicago, lake and rail:						
Boston and Albany Railroad	54	47	37	27	23	20
Fitchburg Railroad and New York and New England Railroad	49	43	34	25	21½	19
Central Vermont Railroad	44	39	31	23	20	18
From Chicago, lake and rail:						
Boston and Albany Railroad, Fitchburg Railroad, and New York and New England Railroad	70	58	45	35	30	25
Central Vermont Railroad	63	53	43	30	27	25

LINES FROM BOSTON TO THE WEST.

Answer to question No. 1.—New England having the following outlets:

1. The steamer lines to New York.

2. Boston and Albany, New York Central, and West Shore Railroads; Western Transit Company, Lake Superior Transit Company, on lakes.

3. Fitchburg; New York and New England; New York, Lake Erie and Western; Pennsylvania; Delaware, Lackawanna and Western, and West Shore Railroads; Union Steamboat Company; Anchor Steamer Line; Lake Superior Transit Company, on lakes.

4. Central Vermont Railroad. (*a*) Grand Trunk Railway to Chicago, Milwaukee, and St. Louis, and its Michigan and Western, Northwestern and Southwestern railway connections. (*b*) Grand Trunk Railway, lake lines via Fort Gratiot, Point Edward, Sarnia, Midland and Collingwood, to and from Duluth and Chicago. (*c*) Rome, Watertown and Ogdensburgh Railroad to Cleveland, Cincinnati, Columbus, Indianapolis, St. Louis, Louisville and Cairo, and principal points in the West, Northwest and Southwest upon the Wabash: Cincinnati, Hamilton and Dayton; New York, Pennsylvania and Ohio; Toledo, Ann Arbor and North Michigan; Chicago, Milwaukee and St. Paul; Chicago and Northwestern; Chicago, Burlington and Quincy; Chicago, Rock Island and Pacific, etc., Railroads. (*d*) Canadian Pacific Railway main line via Rouse's Point and Canada Atlantic Railway; Canadian Pacific Railway Soo Line via Rouse's Point and Canada Atlantic Railway; Canadian Pacific Railway main line via Richford; Canadian Pacific Railway lake line via Owen Sound. (*e*) Ogdensburgh Transit Company, Central Vermont Railroad lake line, running between Chicago, Milwaukee, Detroit, Cleveland, and Ogdensburgh.

There is no doubt that the closing of any of these routes would lessen the competition, and tend to increase the rates for the carriage of freight to and from Western points, and be contrary to the wishes of Boston and New England merchants.

So far as the Boston and Albany Railroad is concerned, it has defended a suit before the Interstate-Commerce Commission, and has been sustained by said Commission in opposition to the claim of the Boston Chamber of Commerce, demanding same rates to and from Boston as are in force to and from New York.

Answer to question No. 2.—I do not think that as low rates would prevail but for the competition of Canadian railways.

Answer to question No. 3.—Petition of Boston Chamber of Commerce *vs.* Boston and Albany Railroad, etc. (*a*) Between Boston and Buffalo, Suspension Bridge or points west thereof. (*b*) All dead freight except dressed meats. (*c*) Interstate-Commerce Commission decided that the rates to Boston were not unreasonable, taking into account the increased distance, and the extra cost in connection therewith, etc., compared to New York.

The merchants of Boston and New England will never be satisfied until the freight rates between Boston, etc., and western points are not higher than between New York and similar western points.

The Central Vermont Railroad Company are in favor of New York rates between Boston and principal commercial centres, in the Western States.

THE CANADIAN PACIFIC LINE THROUGH MAINE.

The Canadian Pacific Short Line through the State of Maine will be of much benefit to Boston, because it will tend to open up direct trade with inland points in New Brunswick and Nova Scotia, and it will stimulate the trade of Boston to St. John, St. Andrews, St. Stephens, New Brunswick and Halifax, Nova Scotia.

The opening of this line will be another competitor to Boston lines for traffic to and from upper Canadian Provinces and Western States, but we have no doubt that Boston will retain all the traffic that naturally belongs to it, and will receive a benefit which would largely overbalance any loss.

Any interruption of the relations existing between the Central Vermont Railroad and the Canadian railways would cause great injury to New England at large. Northern and central Vermont are dependent almost entirely for their supplies of grain, flour, and meats upon the Central Vermont Railroad. The same is true also of New Hampshire and her great manufacturing centers. The Central Vermont Railroad, through the lines she controls and operates, reaches also the central portion of Massachusetts, the central portion of Connecticut, and all of Rhode Island. To Maine the Central Vermont Railroad supplies a large traffic. The injury which would result to the territory thus reached by the Central Vermont Railroad and its leased lines would be severely felt, while no corresponding benefit could in any way result. Nor is the Central Vermont Railroad and the country tributary to it the only parties to be affected by such an interruption. The Canadian railways which engage largely in the commerce of the United States, and are carriers to a great extent of the prod-

ucts of the West, Northwest, and Southwest for the supply of the Eastern States, are the Canada Southern, the Great Western of Canada, as well as the Canadian Pacific Railroad and the Grand Trunk systems. Crossing the peninsula of the province of Ontario, these roads furnish the outlet for large systems of roads west of that territory, and become feeders to many of the roads in the United States, and supply an immense volume of traffic. The interruption, therefore, of the relations of these roads with the various roads on this side of the line would compel the great commerce of the territory of the West, Northwest, and Southwest to seek its outlet over the lines controlled by the New York Central, Erie, and Pennsylvania roads, thus overburdening those roads already doing an immense traffic nearly to their full capacity, and also compelling a large section of country in northern New York and New England to obtain their supplies by circuitous and indirect routes at greatly increased cost and subject to great delays, and tend to destroy the fair and just competition which forms so large a factor in the success and prosperity of their local development. The same may also be stated as applicable to the commerce of the East going West.

STATEMENT OF JAMES T. FURBER.

Mr. JAMES T. FURBER, general manager of the Boston and Maine Railroad, appeared.

The CHAIRMAN. Where do you live, Mr. Furber?

Mr. FURBER. At Great Falls, New Hampshire.

The CHAIRMAN. Whom do you represent?

Mr. FURBER. I represent the Boston and Maine Railroad, covering a section of country of about one thousand miles in extent.

The CHAIRMAN. In what capacity?

Mr. FURBER. As general manager thereof.

The CHAIRMAN. Now, proceed to make your statement in your own way.

Mr. FURBER. I would much prefer to answer questions that the committee see fit to propound. I can only say in regard to the Boston and Maine Railroad that Governor Smith, in his remarks concerning the relations of the Canadian lines, particularly through New England, has expressed my full views on the matter. We are a distributing railroad for the products of the West more particularly, and we cover a large manufacturing district, in which is manufactured a large amount of goods to be consigned to the West and Northwest. We are running a road from Swanton, Vt., which connects with the Central Vermont in that place, thence via that line to the Canadian Pacific and to the Grand Trunk; also through to the Rome, Watertown and Ogdensburg Railroad. We carry it across the State of Vermont and connect at Scott's Mills with the Maine Central Railroad and with the Concord Railroad. The Maine Central is now building a line there which makes it a perfect line from that section of the country to other parts of the State of Maine. We also by another route connect with the Grand Trunk and the Canadian Pacific. We have a line that connects with the Grand Trunk at Portland, which comes through to Boston, where connection is made with the Fitchburg and the Boston and Albany Railroads, with New England and New York, and we connect with the Old Colony.

We are also running a line across Massachusetts extending from Boston through to the Connecticut River, there connecting with the Connecticut River Railroad and through that with the New York, New Haven and Hartford, and shortly shall be connected with the Connecticut Western, thereby making us a line over the Poughkeepsie Bridge and over the Pennsylvania through to the West, Lake Ontario, etc. We have a large population to serve and we are quite anxious that those people should be served as promptly as possible and as cheaply

as possible. We think that any disturbance of the Canadian lines would seriously interfere with the people whom we serve.

The CHAIRMAN. What do you mean by "disturbance?"

Mr. FURBER. Such as taxing cars coming through into this country, and such as undertaking to bring the Canadian lines under restrictions and stopping their trade at a certain line and not permitting it to be transported in here. I believe with respect to disturbance that the interstate commerce law has disturbed us more than anything that has ever been done. I believe it is an injury to our people.

THE PAYMENT OF REBATES.

The CHAIRMAN. Did it put a stop to your paying secret rebates?

Mr. FURBER. We have never been in the habit of paying any secret rebates.

The CHAIRMAN. Do you think that could be said of all the railroads of the country.

Mr. FURBER. I think not. I do not think there has been much trouble about one road knowing what the other road was doing.

The CHAIRMAN. You think no secret rebates have been paid by any of the roads?

Mr. FURBER. Oh, yes; there have been drawbacks and rebates paid for one reason and another by certain lines, but I think the other lines found out what it was.

The CHAIRMAN. And then they went at it themselves?

Mr. FURBER. I think so, and I think it was perfectly right. I think it right that the people should have the advantage of getting a rate as low as possible. I do not think we have anywhere near reached the bottom in the matter of transportation charges.

The CHAIRMAN. I do not either; but do you think it right to pay a secret rebate to one man and not to his neighbor?

Mr. FURBER. I do not think that could last long.

The CHAIRMAN. Why not?

Mr. FURBER. Because the neighbor would find it out.

The CHAIRMAN. That has not been the history of it. Men have been broken up or very nearly bankrupted before they found it out.

Mr. FURBER. Well, I do not believe that the manufacturing districts which we are serving would be able during certain seasons of the year, particularly in the fall, to get the products that they want and which they should receive if they were to be confined to the American lines.

The CHAIRMAN. Why?

Mr. FURBER. Because I believe the American lines would not be able to transport the products within the time they were wanted. I know we are finding a very large amount of business coming to us from the East and the West over American and Canadian lines, and at certain seasons we find that we get all the traffic we can accommodate and all we can take care of. In fact it is difficult to find sufficient power and sufficient cars with which to move the traffic.

The CHAIRMAN. How did you get along before these Canadian roads were built?

Mr. FURBER. Well, sir, the Canadian roads have been built for a long time, and the traffic of the country since the building of these Canadian roads has rapidly increased. It has been more than doubled, certainly.

The CHAIRMAN. More than doubled since when?

Mr. FURBER. Since the Canadian roads were built. The Grand Trunk Railroad, as you are aware, is an old road, and has been here a great many years, and been here about as long as any of our roads.

We receive traffic also at White River Junction from the Central Vermont, and receive it from Portland by direct connection with the Grand Trunk at that point.

THE REGULATION OF COMMERCE.

The CHAIRMAN. Well, the substance of your statement is that you do not think you ought to be regulated by Ame[illegible] legislation, and that the Canadian roads ought to be left alone a[illegible]s it not?

Mr. FURBER. No, sir. To a certain extent it [illegible]roper and right for the American Government to regulate commerce among the States. We are aware that that is a very proper thing to do. At the same time when you undertake to regulate the commerce among the States and regulate the tariff at which it shall be done, you are, to a large extent, creating a great deal of trouble, and I do not know of any way in which it can be done unless the Government is prepared to take control of all the railroads and form one system, and then make rates that shall cover the whole ground. The people can then accept their rates or not. We have ascertained by experience that it becomes necessary to aid in the building up of towns along our line, and to do so we have to favor them as far as practicable.

The CHAIRMAN. Do you think that that is the duty of every common carrier?

Mr. FURBER. Yes, sir. I believe a common carrier is a developer of the country.

LOW RATES DEVELOP THE COUNTRY.

The CHAIRMAN. Do you think it is the duty of a common carrier, if it has one town on its line and would like to have another, to discriminate against the town you have in order to build up another?

Mr. FURBER. I think it is the duty of the common carrier to get as many more towns as possible, because when it has once established its towns and has its line dotted with local traffic it has then and there a local traffic which will support its railroad and pay its stockholders a fair rate of interest for their money invested, and at the same time will be enabled to bring to them from foreign points goods at very low rates. Low rates always build up a territory. We have always found it so in our experience. We have always found that it succeeded in giving our people such advantages as enabled them to compete with people in other parts of the country.

For instance, it is our interest and study to furnish to all our manufacturers their supplies for manufacturing purposes as cheaply as manufacturers are furnished who are located at Fall River and other points. When we can furnish them an outlet for their goods at as cheap rates as our friends at other manufacturing points, and furnish them their supplies at as low rates as other manufacturers are able to obtain them, we think we are serving them properly and that they are enabled to compete with other parties, and the points we serve do not suffer in competition with others.

THE CANADIAN ROADS OF ADVANTAGE TO NEW ENGLAND.

The CHAIRMAN. I shall not examine you on the law as it stands, but what we are specially charged to inquire into is whether anything

ought to be done by the American Congress in relation to the Canadian roads.

Mr. FURBER. I think that the Canadian roads ought not to be disturbed in any way whatever.

The CHAIRMAN. You think nothing ought to be done.

Mr. FURBER. I think so, so far as we in this section stand in relation to it. These Canadian roads are certainly a great advantage to us. The products of our section here are carried to the West at much higher rates than the products of the West are brought here. That is a matter I dislike very much, and accordingly I have endeavored several times to have it changed. I think we should have our shoes and manufactured goods carried as cheaply to the West as Western corn is brought to this section of the country.

The CHAIRMAN. Why is it different?

Mr. FURBER. That is a matter that the trunk lines manage.

The CHAIRMAN. Is it brought about by the competition of the Canadian Pacific?

Mr. FURBER. I do not think by the Canadian Pacific. I think the reduction of rates and the cutting of rates were not inaugurated by the Grand Trunk or the Canadian Pacific. I think they were inaugurated by the American lines entirely. We have so found it in our experience.

The CHAIRMAN. So that whatever reductions the people have received have been brought about by the American lines, and not by the reductions made on the part of the Canadian lines?

Mr. FURBER. Brought about by a reduction by the American lines in endeavoring to get the business from the Canadian lines.

The CHAIRMAN. Does that hurt the people any?

Mr. FURBER. No, sir; we are very glad to have it. We people in this section want all the advantages which God, nature, or man can give us, and if the English Government are ready to give subsidies to railroads which will enable them to bring to us our goods at cheaper rates, we are glad of it.

The CHAIRMAN. You have a little American pride, have you not?

Mr. FURBER. Yes, sir; but when an American stands up here and says that he can not compete with the rest of the world, and he cries like a baby, I am not in favor of it.

The CHAIRMAN. Are you ready to meet these foreign corporations in a free fight?

Mr. FURBER. I am ready to meet the Canadian roads in anything.

The CHAIRMAN. The Canadians raise potatoes and many other things, and do you want those articles to come in free?

Mr. FURBER. Those are matters about which I am not prepared to talk at the present time.

The CHAIRMAN. You say you want to stand up with them in a free fight.

Mr. FURBER. I will compete with anybody in my business. We have a road which runs in four different States, and we have found certain troubles in connection with the interstate commerce law, and that is one reason why I said it should be repealed, or ought to be.

THE INTERSTATE-COMMERCE LAW.

As we understand the law, after having once advertised our rates, we are compelled to abide by those rates until we have advertised others. Now, we are frequently finding among our people a number of parties who desire to travel from one State to another, and we find that we

have no authority to carry them. For instance, a party of fifty will perhaps want to visit a club here in Boston, and perhaps a club in Boston will want to pay a visit to a club in Portland, and they will want to go to-night. We can not give them excursion rates.

The CHAIRMAN. You have a right to give them excursion rates, have you not?

Mr. FURBER. We do not understand that we have a right to give them any excursion rate, or at least not such as we advertise for an excursion rate. For example, we will advertise an excursion rate to Old Orchard, which is this side of Portland, for the public. Now then, one of the clubs here in Boston may desire to go to Portland to pay a visit to a Portland club. They come to us for a rate and they do not expect to pay us over half the regular fare. As we understand the law we have no right to make that rate unless we advertise it and send our advertisement to the Interstate Commerce Commission.

Furthermore we fall into the same trouble with freights of all kinds and are compelled to issue commodity tariffs. These commodity tariffs are simply reductions of rates. These reductions are made in light goods as well as heavy goods. People are frequently calling for rates, and they want them the same day they are called for. It is impossible for us to advertise that rate, if we want to give it to them, and get the rates into the hands of the Commission at Washington in time. We have to tell them that we can not carry except at the rates advertised, when we could give them a rate that would be sufficiently remunerative, simply because we are not able to reduce our rates to a certain figure within a certain specified time. We find that quite annoying in our business.

The long and short haul clause of the law affected us considerably ast year with respect to the business of the West. We have had no trouble with it this year. We did last year in the manner alluded to by Governor Smith. It reduced our rates from here to Montreal; also from here to St. Albans and thence to Montpelier.

The CHAIRMAN. That reduction was for the benefit of the people, was it not?

Mr. FURBER. Yes, sir.

The CHAIRMAN. And the New England people are the people you are trying to take care of, you say?

Mr. FURBER. Yes, sir; but it did not reduce the rates on the traffic East, I am sorry to say.

The CHAIRMAN. You ought to put the rates down on the Eastern traffic, then.

Mr. FURBER. It is impossible to put the rate down for any one person; you must do it for all. That is fixed by the trunk line agreements. If the Government sees fit to take charge of the railroads and appoint a commissioner to take care of them, I suppose that then it would be satisfactory to the Government whether it would be to the people or not.

The CHAIRMAN. Do you object to the trunk line association and the agreements of the association?

Mr. FURBER. No, sir.

The CHAIRMAN. The law has nothing to do with that.

Mr. FURBER. We maintain that association and make agreements for the sake of harmony among the railroads.

The CHAIRMAN. Then you ought not to complain of anybody.

Mr. FURBER. I am not complaining.

The CHAIRMAN. You seem to be complaining of the Government.

Mr. FURBER. I do not complain of anything except the interstate commerce law.

The CHAIRMAN. That was enacted by the Government in its legislative capacity.

Mr. FURBER. Yes, and I think in certain parts of the law the Government made a mistake by not having sufficient information in regard to the law before they enacted it.

The CHAIRMAN. We ought to have sent for you, perhaps. [Laughter.]

Mr. FURBER. No, I think you had plenty of people there.

Senator BLAIR. I do not understand that because the Government has made a law an American citizen is stopped from criticising it. I think the witness has a right to criticise the law.

The CHAIRMAN. I am not complaining of the witness criticising the law. I simply want the witness to confine his remarks to the facts. He speaks of the trunk lines making agreements. The law has nothing to do with that. If the law has anything to do with it perhaps it prohibits it.

Mr. FURBER. The law has been in force now a year or more. I will inquire if in your knowledge it has ever prevented any of those agreements?

The CHAIRMAN. The law itself prohibits what is termed pooling, and these agreements which are made now are supposed to be evasive, in a sense, of those provisions of law in relation to pooling. At the same time I believe the Interstate Commerce Commission regard the contracts as allowable under the statute. I made the inquiry whether you thought the contracts that you made which prevent you from getting certain advantages were a matter of law or a matter of voluntary action on the part of the railroads.

Mr. FURBER. I am not aware that the trunk lines have made any agreements whatever, except such as have been considered proper by the Interstate Commerce Commission. I think the Commission have been consulted in all cases.

The CHAIRMAN. I think that is true, and that is the reason I stated that while the law does not require it, yet the railroads seem to regard these agreements as important in the interest of stability of rates, and I think they are allowed by the Commission to be formed in the shape they are now formed.

Mr. FURBER. Yes, sir. I think differential rates also have been allowed by the Commission.

The CHAIRMAN. The roads have a right to allow differentials, I suppose. At any rate it is so regarded. Do you believe in differential rates as between the American trunk lines and the Canadian lines?

Mr. FURBER. It seems to be a principle that has been recognized by all the roads. It is a principle which has not only been recognized, but agreed upon by all the roads.

The CHAIRMAN. And in that view the Canadian road could be given a differential. Why was it given the differential?

Mr. FURBER. To cover the difference in time and distance. In the transportation of freight from Boston to Chicago, particularly, the matter of time enters into it, and if merchandise can be transported by any one line quicker than it can by another line which is the longer line, then the longer line is at a disadvantage, and that line in order to get a reasonable proportion of the business has a differential allowed it for the purpose of enabling it to take freight at a little cheaper rate with-

out being subject to criticism on the part of other lines for having cut rates.

The CHAIRMAN. I understand that that is the purpose of it.

RATES REDUCED BY CANADIAN COMPETITION.

Senator BLAIR. Speaking of the competition of which the trunk lines of this country complain as between themselves and the Canadian Pacific line, and of the other Canadian line, do you understand that the Canadian lines in the transaction of their business have adopted a policy which tends to a reduction of the expenses of transportation? Have they lessened the cost of transportation to the people of New England?

Mr. FURBER. Every railroad that is constructed extending from the East to the West will tend to a reduction of the cost to the people of New England of the traffic that is to be transported, for the reason that each railroad will be seeking to get its proportion of business, which they will construe to be the whole amount, if they can get it, and that competition in railroading, as in every other thing, tends to a reduction of rates. A large number of dry-goods stores in this city will tend to a reduction in the price of dry goods.

Senator BLAIR. Now, does this benefit which thus accrues to the people of New England—not the railroads—injure the people in any other part of the country?

Mr. FURBER. In my opinion it does not. I believe it is a great advantage to the people of New England without being a disadvantage to any other section of the country.

Senator BLAIR. Then the issue here, if there be any, is really between the people and the railroads, is it not?

Mr. FURBER. It seems to be that.

Senator BLAIR. And it is a question whether the people shall have these rates reduced, or whether the American railroads shall charge the increased rate of transportation, which they say they need, is it?

Mr. FURBER. It appears that way.

Senator BLAIR. Now, in such an issue as that, who ought to have the preference in legislation, the people as a whole or the corporation that have been created for the purpose of transportation?

Mr. FURBER. My judgment is that the people should have the advantage. The people own the corporations, and the people will never have those railroads sacrificed. They will have them earn a reasonable amount of money in order to keep them in good repair and to be good servants of the people and to pay their stockholders a fair rate of interest.

RELATIONS OF THE TRUNK-LINES TO NEW ENGLAND.

Senator BLAIR. Do you consider the natural terminus of the New York Central, or the trunk-lines, as they are called, in New England, or at New York, Philadelphia, and Baltimore?

Mr. FURBER. I consider the natural terminus of the trunk-lines at New York?

Senator BLAIR. Are they not, then, by this proceeding, undertaking to reach out into territory not naturally belonging to them, and to grow rich on what belongs to other people?

Mr. FURBER. They are reaching out into New England and into the manufacturing districts, a country which we cover, and they get a portion of that business. They want a proportion of it—all they can get of it. They construct their railroads with that view, as, for example, the

New York Central, which has four tracks, and they do a very large amount of business. Frequently they get blocked in their yards on account of so much business.

Senator BLAIR. Which is the more natural route of supply between New England, especially central and northern New England, and the Northwest, by way of the American trunk-lines, or north of Lake Champlain?

Mr. FURBER. There is very little difference in distance, I should think. I think from Boston to Duluth—taking Boston as the New England point, although Boston takes comparatively but very little of the freight that is brought to New England; we have to-day a larger population in Sussex and Middlesex Counties than there is in Boston.

Senator BLAIR. Those two counties are north of Boston.

Mr. FURBER. Yes, sir; north and east of Boston. In those two counties there is a larger population to-day than in Boston.

Now, then, between Boston and Duluth there is not a great deal of difference whether you travel by Chicago or go north of the lakes. My impression is there may be in the vicinity of a hundred miles, perhaps, in favor of the Canadian lines going to the Sault Ste. Marie by the "Soo line," and across by the South Shore and Atlantic.

Senator BLAIR. Do you think that these Canadian lines are getting anything more than the natural increase of commerce which has taken place since the lines were constructed?

Mr. FURBER. I am unable to say.

Senator BLAIR. It is hardly to be supposed that these American or any other lines are constructed with a tacit understanding that they are to do all the business in the future.

Mr. FURBER. No, sir.

Senator BLAIR. They take their risks as a man in business does.

Mr. FURBER. Yes, sir. I do not think a road is ever built with the idea that they are to get any particular traffic, or to hold any particular traffic. Some roads, of course, are built from pure cussedness, if you will allow me to use the expression. But lines are generally built with the idea that they are to pay from the traffic they are going to get.

Senator BLAIR. Do you think it is quite fair that these American lines should be obliged to compete with a line constructed almost—it is said wholly—by the capital of the British Empire?

Mr. FURBER. I do not see why not, inasmuch as the line which is constructed by the capital of the British Empire is of great advantage to our American people. It brings to us a large amount of the products of the West, it brings us the food of the West, which we want here and the products which we want to use in our manufacturing districts.

Senator BLAIR. Suppose the French had succeeded in getting through the Isthmus of Darien with a canal, do you think the American people should be precluded from availing themselves of it for the purpose of preserving the transcontinental lines of the country?

Mr. FURBER. That is rather a contingent question.

Senator BLAIR. Take the Nicaragua Canal, then; do you think the American people should be compelled to send their transcontinental traffic over the American railroads, in order to maintain and support those roads, and thus be deprived of the advantages of the canal?

Mr. FURBER. I do not like to go into that question.

THE RAILROADS BELONG TO THE PEOPLE.

Senator BLAIR. But your general position is that the benefit of the people of the country is uppermost?

Mr. FURBER. I think so; I think that is what the railroads were constructed for, to subserve the interests of the people of the country. I think that is what the people built them for. The people have built the railroads; they do not belong to anybody in particular. The railroads belong to the people; they have constructed them as their servants, and it is very proper that they should serve them to the best advantage. I do not believe that a railroad has any business making a single dollar over and above a fair return on its property and expenses and what may be necessary to keep itself in fair condition.

BUILDING UP NEW LINES OF BUSINESS.

Senator REAGAN. I understand you to suggest that it is a good policy for the railroads to build up new towns and new lines of business.

Mr. FURBER. I so consider it, sir.

Senator REAGAN. By what methods would you have them do so?

Mr. FURBER. I would offer any encouragement in the shape of low rates of freight or travel, if necessary, to the people who would locate and form a town, or I would carry the principal builders of the place free, if necessary, to encourage them and build up the town, and get together a manufacturing center which would afterwards give to the railroad a large amount of business, and thus the railroad would earn a larger amount of money after the place is established.

Senator REAGAN. Now, in doing that, you would, of course, trench upon the railroad to that extent. Would you make up the loss on that business from the other business of the road?

Mr. FURBER. You would not trench upon the revenues of the road in doing that. There is a business you have not got. You are going to run your trains by that very place anyhow—both passenger and freight trains—and you might just as well carry a certain amount of business for that town and from that town; so that you are enabled to build up that place without trenching upon the revenue of the road, and so long as you are charging your other customers a reasonable rate for their transportation they would have no cause for complaint.

Senator REAGAN. If you carry the freight or the passengers for the town you are to build up without charge are you not doing so at the expense of the other people?

Mr. FURBER. Suppose you carry the passengers and freight at the actual cost of hauling. It would be different on different roads, of course; but suppose you carry the passengers and freight at the actual cost. You have not trenched upon the revenue of the road at all, you have given the people of that place a chance to build up the town, which will be a benefit to your road and no injury to the other people, and so long as the goods of the other people are transported at a fair and reasonable rate they have no right to complain.

Senator REAGAN. If you carried passengers or freight cheaper for one town than another, do you not do so at the expense of the town and the passengers you charge the full rates?

Mr. FURBER. Not necessarily.

Senator REAGAN. But largely?

Mr. FURBER. No, sir. If the practice was carried to a certain extent it might be done; but it would not be so, simply because you carried for one shipper cheaper than another.

Senator REAGAN. Does the charter of the road of which you are superintendent, or of any railroad company that you are aware of, have authority to engage in business other than transportation?

Mr. FURBER. We have the right to engage in transportation, and the directors have the right to make rates, so far as we know, at which the transportation shall be performed.

Senator REAGAN. Do you assume that you can carry freight and passengers for the purpose of starting a new industry or starting or assisting a new place without doing it at the expense of the other people?

Mr. FURBER. I do, sir; because I will be enabled in the end, before I get through, to give transportation to the other points on the line at a lower rate than I am now carrying for. If I can build along my line a large number of villages and towns I will get such a business located upon the line that I will be able to carry the business of other places on the line at a lower rate than I could theretofore.

Senator REAGAN. You sacrifice something at the start to gain something in the future?

Mr. FURBER. No, sir; not sacrifice; because at your present rate you are enabled to make a fair dividend for your stockholders, you are enabled to keep your line in good condition, you are enabled to pay your operating expenses and to keep the rolling stock in good condition, and if you build up a few more towns upon your line you need not charge the other people any more; but when you have got the towns built up, which will give you business, you will be able to charge these people less money for the same service than you did before the towns were built. In the length of time, on the other hand, if you continue to operate your road through a very sparsely settled country, you will be compelled to charge these people a higher rate, because you do not have much traffic to carry, and you must make up your expenses on the smaller amount of business.

Senator REAGAN. Under the present law as applied to interstate commerce, can you charge one person more or less for a similar service than another?

Mr. FURBER. No, sir; not on traffic across State lines, unless we issue what the Commission, I believe, have decided to be commodity tariffs, which will apply alike to everybody.

Senator REAGAN. You say that would apply to everybody?

Mr. FURBER. Well, not to everybody. That is a question which I think has been brought up among the passenger agents here and through the country generally, and the Commission finds it a rather knotty question to contend with.

EXCURSION RATES.

Senator REAGAN. It has been held, has it not, by the Commission that it could be done on what is known as the certificate plan?

Mr. FURBER. I think at first the Commission decided it could not be done. Afterwards it decided we could.

Senator REAGAN. Will you please describe, so as to have it appear in the record, exactly how the certificate plan works?

Mr. FURBER. We advertise that on a certain day the merchants of the several towns and counties through which we pass can come to Boston at a certain rate. We give, perhaps, the full rate to Boston. At the same time we have an agreement to take them back on the certificate plan; that is, the certificate is given them for the round trip. If the fare is $3 and the round trip is $4 the merchant gets a round-trip certificate, and at Boston they present that certificate to the ticket agent and get return tickets.

Senator REAGAN. That is the excursion plan?

Mr. FURBER. Yes, sir.

Senator REAGAN. Does the State law permit you to do that with reference to State hauls?

Mr. FURBER. I believe our State law provides that we shall not charge more for the lesser distance than we do for the greater, but our State law does not prohibit our making a rate for men or a man in any section of the State to Boston or to any other point at any rate we see fit.

Senator REAGAN. Can you make that rate with one individual and not with another?

Mr. FURBER. Yes, sir; we can make that rate for a Sunday-school class, and not give it to anybody else, and still not violate the law, as far as I know.

Senator REAGAN. Do you think that is right?

Mr. FURBER. What I am speaking of is this: Suppose we have a number of gentlemen, or a club, at a certain point on our line which wants to come down and spend an evening in Boston; we give to that club reduced rates, inasmuch as they furnish us fifty passengers. I am not aware that there is any law in the State which forbids that.

Senator REAGAN. As I understand the interstate commerce law, it forbids the giving of excursion rates until the railroad company advertises that excursion to the public, and files with the Commission at Washington for a certain number of days the tariff at which they propose to carry passengers. Now, then, what I was trying to get at and what you do not answer is this—where do you live?

Mr. FURBER. In New Hampshire.

Senator REAGAN. At what point?

Mr. FURBER. Summersworth.

Senator REAGAN. If your neighbors at Summersworth desire to ship to a point within your own State, say 50 miles off, can you, under the law of your State, give one of them a rate for either travel or transportation that you deny to another? I am talking about individuals now.

Mr. FURBER. I do not know that that question has come up. We have tried, however, to give all as low rates as possible.

Senator REAGAN. I ask this question as a predicate for another. Would the people of your State or any State of New England tolerate the State making terms to one person that it does not give to another? Would the people of the United States tolerate a law which would give privileges to the citizens of one State which it does not give to the citizens of another State?

Mr. FURBER. I have not been able to judge what Congress or the State government is likely to do.

Senator REAGAN. What are the principal points in the West from which you draw your commerce coming from west of Buffalo?

Mr. FURBER. We are getting our grain from Chicago, and our flour and wheat from up around Duluth and that section of the country. It comes to us through the Central Vermont Railroad, the Grand Trunk Railroad, and the Canadian Pacific Railroad. Corn also comes to us through the Boston and Albany and the New York Central, and some comes to us through the Rome, Watertown and Ogdensburgh from Buffalo, and we are also getting a large amount of grain which comes over the Canadian Pacific and the Grand Trunk, through Ogdensburgh.

Senator REAGAN. From what points in the West does the larger part of your commerce come—from what particular States, if you can give it that way?

Mr. FURBER. I do not know the States; the business is done by commission merchants. It is shipped from Chicago.

Senator REAGAN. Detroit, Chicago, St. Paul, Duluth, are not those your principal points?

Mr. FURBER. Yes, sir.

Senator REAGAN. Does not Duluth supply you principally?

Mr. FURBER. I think wheat comes principally from Duluth. Our flour comes from Minneapolis.

Senator REAGAN. What did you say was the distance to Chicago by the roads south of the lakes?

Mr. FURBER. Chicago is 1,038 miles from Boston.

Senator REAGAN. What is the distance by the Grand Trunk and the Michigan Central?

Mr. FURBER. I think it is about 1,100 miles.

Senator REAGAN. I want to ask you with respect to the grain, meats, and other products which you ship from Buffalo, Cleveland, Toledo, Detroit, Chicago, and Minneapolis, whether the lines south of the lakes between Boston and all those points are not shorter than the lines north of the lakes?

Mr. FURBER. I think they are, sir.

Senator REAGAN. Now, do you understand that there is a difference in the rates of freight on the Grand Trunk and the roads south of the lakes?

Mr. FURBER. I think there is a difference in the rates east. I think there is a differential allowed the Canadian road on west-bound business. I do not think there is any differential coming east, however.

Senator REAGAN. You get the larger amount of your supplies for New England from those places, do you not?

Mr. FURBER. Yes, sir.

Senator REAGAN. Do you know whether, since the passage of the interstate commerce law, there has been a very great increase in the tonnage over the Grand Trunk road as compared with the roads south of the lakes?

Mr. FURBER. There has not been, so far as we are concerned. In the matter of distributing we have not found any particular increase.

Senator GORMAN. Between Boston and Duluth, for instance, for the past three years, has the tendency of rates been upward or downward?

Mr. FURBER. At times it has been downward, and at other times it has been upward. The tendency of the through rates when lake transportation is open has been downward. The rail traffic, however, has interfered very little with it. The rail traffic has not been as much in summer when the lakes are open as in winter. The people can ship cheaper in summer by the lakes than they otherwise could, and they ship that way.

STATEMENT OF CHARLES CARLETON COFFIN.

Mr. C. C. COFFIN, representing the Concord Railroad, appeared.

The CHAIRMAN. Where do you reside, Mr. Coffin?

Mr. COFFIN. In Boston.

The CHAIRMAN. What is your business or profession?

Mr. COFFIN. I am a writer.

The CHAIRMAN. You may proceed with your statement in your own way.

Mr. COFFIN. I would say that I am not a railroad man, although I appear here for the Concord Railroad in New Hampshire at their request. A good many years ago I was engaged in civil engineering

upon the line of road in the Merrimac Valley and in the construction of several railroads in the State of New Hampshire, and I shall speak to you to-day from a little different stand-point from that of any one who has appeared before you, from my observation as an engineer in years past and also from my observations as a traveler. I will say further that I am somewhat familiar with this entire section of country in the Northwest. I traveled over a portion of it before a shovelful of earth was thrown up on the Northern Pacific Railroad, and I had something to do with the development of that line. I also took out the charter for the present road from Minneapolis to Sault Ste. Marie and explored that region personally, and I shall endeavor to answer a question which has been put here several times as to why the Canadian Pacific Railroad can transport freight from the Atlantic to the Pacific more cheaply than any other line.

NATURAL ADVANTAGES OF THE CANADIAN PACIFIC LINE.

Humboldt, in his Cosmos, lays down as a fundamental principle that the great highways of a nation will be along its great water courses. Turning now to the map of North America we see that the one great east-and-west water-way across the continent is the St. Lawrence and the chain of lakes reaching half way from the Atlantic to the Pacific. Within the boundaries of the United States the Upper Missouri and the Yellowstone are in the same direction leading to the Rocky Mountains and to the head-waters of the Columbia.

Within the boundaries of the Dominion of Canada we see a remarkable water-way between Lake Superior and the Rocky Mountains. It would not be difficult to construct a canal uniting the waters of Lake Superior and Lake Winnipeg. Both bodies of water are only a little more than 600 feet above the sea-level. From Winnipeg westward the Canadian Pacific Railroad follows the valley of the South Saskatchewan to the Rocky Mountains, crossing the continental divide at an elevation of 3,500 feet above the sea-level, then follows the valley of the Fraser River to the sea. The Columbia within our own domain, and the Fraser in British America, are the only two streams running from the heart of the continent westward to the Pacific, and when viewed in connection with the St. Lawrence and the lakes form the only water course from ocean to ocean.

In the upheaval of the mountain ranges we find that those of British Columbia are not so lofty as the ranges within our own borders. The Northern Pacific Railroad has two mountain summits, that between the Yellowstone and the Missouri and that between the Missouri and the Columbia, both at an elevation of about 5,000 feet above the sea.

When we go southward to the Union and Central Pacific roads, we find five distinct elevations, the highest more than 8,000 feet above the sea. Those roads, for a distance of more than 1,000 miles, have an elevation exceeding 4,000 feet above the sea. The physical features are all in favor of the Canadian Pacific line, and the natural advantages are so greatly in its favor that it can transport its freight at much less cost than either the Union, Northern, or Southern Pacific roads. It makes a vast difference in the working of a road whether the grades are 119 feet, as on the Union Pacific, or half that number of feet, as on the Canadian Pacific.

Mr. Mellen, of the Union Pacific, has stated that the Canadian Pacific was taking a large percentage of the business between the Atlantic seaboard and San Francisco; that the gain in the southward traffic was from 10 per cent. one year ago to 39 per cent. at the present time. The

reason for that increase is obvious. The Union Pacific line, from its great elevation, its series of ascents and descents, its mountain ranges, its high grades, will ever be at a disadvantage as compared with the Canadian Pacific. More than this, the Canadian Pacific is under one management from ocean to ocean, while the Union Pacific is only a local road, a link connecting with several other roads. In its relation with other roads it is at a disadvantage. Commercially, it begins nowhere and ends nowhere. Were the Union Pacific in control of a line extending from New York to San Francisco, it could carry its through freight much more cheaply than at present. The same might be said the Northern and Southern Pacific.

Senator REAGAN. What is the highest altitude of the Southern Pacific?

Mr. COFFIN. About 6,000 feet, more than 2,000 feet lower than the highest point on the Northern Pacific.

THE FOOD SUPPLY OF NEW ENGLAND.

Something has been said about the food question here. Mr. Speare' when he brought before you the facts in regard to food, stated it briefly and tersely. But allow me to say that the State of Rhode Island raises six ounces of flour for each individual in that State, or enough to give them one griddle-cake for each man's breakfast, and that is all. Massachusetts raises enough flour to give each inhabitant one cake for breakfast and another for dinner, but nothing for supper. New Hampshire is a little better off; she raised 159,000 bushels of wheat, I think it was, year before last, or enough to last her about four days. I have not the tatistics in regard to Maine, Vermont, or Connecticut, but that is the sition we are in here in New England in regard to our food.

Now, where do we get our food and where do we obtain our raw materials for manufacture? We obtain our garden truck from Norfolk, Savannah, and Charleston. Our strawberries come from the South, our flour from Minnesota, and we obtain our beef from Texas and Montana, our corn from Illinois, Minnesota, and Nebraska. We bring our iron and coal from the West. We purchase all of our food and raw materials, and bring them here for consumption and manufacture, and send the products out over these same lines of railway by which we receive our food. During the cotton season there is not a week passes that you will not find cars in the yards at Lowell, Lawrence, Manchester, Nashua, and Lewiston that are loaded down in Texas, Tennessee, Alabama, Louisiana, or Mississippi, in the interior, not on the seaboard, that are brought through from Chicago by the Canadian Pacific and Grand Trunk. That is the course of the trade in the raw material and produce that we bring from the West and Southwest. We do not take cotton from the coast towns and cities because the railroads can not compete with the water transportation, but when the producer in Tennessee wants to ship his cotton the Grand Trunk road of Canada, with its connecting lines, says, "We will take your cotton into Lowell cheaper than you can ship it to Mobile or Savannah, from there by water to Boston, there to be reshipped to the manufactories." Therefore you see that this question does not affect New England alone, but all the cotton-growing and, in fact, all the agricultural States.

I wish to take this question out of the low plane of differentials in rates or anything of that kind, and put it upon a higher plane. Let us look at it as statesmen, as affecting the welfare not of a section but of the whole people who will be affected by any decision that Congress may make in regard to this question, if the decision shall disturb in any

way the pacific relations between Canada and this country. So it is not simply the question of differential rates, but behind it lie some of the profoundest questions of future years.

Let us look at the far Northwest. I recall the remark of William H. Seward, as he stood on the steps of the capitol of Minnesota in St. Paul, in 1860. He said:

I stand on the spot which in the future, in all probability, will be the center of population on this continent.

The statement may seem incredible, but let us see what were the reasons for the prophecy. We are here to day in the latitude of 42 and a few minutes. Where does that line run around the world? It is the southern boundary of France; the whole Empire of Bismarck and of Russia is north of it; the progressive peoples of this world mainly reside north of it. It runs across this continent through Buffalo and a little south of Milwaukee and on to the Pacific in southern Oregon.

Now, sir, there lies in the northwestern section, north of that line, a territory large enough for forty States of the size of Ohio, and a territory that is capable of supporting a dense population. And why? Had I a map of the world I would show you the ocean currents, and you would see at a glance how the heated rivers in the ocean are felt upon the land. When the Almighty set this world to turning from east to west, there began that great tidal wave which sweeps across the Atlantic and which breaks against the coast of Brazil, where it divides, one section turning northwest, receiving the waters of the Amazon, Orinoco, and the Mississippi. Heated by the tropical sun, it pours out its mighty flood through the narrow gap between Florida and Cuba, and sends it, at the rate of 3 miles an hour, up the Atlantic, and gives a warm climate to northern Europe.

When you come to the Pacific Ocean, you have the same conditions. I sailed from Japan to San Francisco a few years ago. When we were out from Yokohama, a little more than one day's steaming, I found that the air became suddenly warm. We had entered the Kuro Siwo, or Japanese current, a great river in the sea more than 1,000 miles wide. The Pacific equatorial current striking against the Phillipines, brings its warm air and moisture on the northwestern coast. That is what gives us the mild climate at Puget Sound, where the flowers are in bloom the year round, where a friend regaled me with figs raised in his own garden. That current, with its humid atmosphere, produces a tremendous forest growth on the west sides of the Rockies. And then it goes over the low elevations and gives us the climate of the Northwest, where at Lake Athabasca the blue bird makes his appearance in the spring as early as in Boston.

Although there is a sparse population in British America to-day, the time is coming when there is to be a mighty empire in the Northwest.

WHEN THE CANADIAN PACIFIC WAS SUGGESTED.

The first movement towards the building of the Canadian Pacific was by Disraeli in 1858, before he was Lord Beaconsfield. I hold in my hand a pamphlet which I prepared for the press in this city in that year. My soul was stirred when I read these words uttered by Mr. Roebuck in the debates in Parliament upon the presentation of a bill for the building of a railroad through Canada. Said Mr. Roebuck:

The thirteen Colonies which we planted in America have increased to the number of thirty-five free States. We have created a power there which, if something is not done by England as a counterpoise to, the United States will overshadow not only England but the earth.

He wanted England to build the railroad and enter upon a scheme of colonization, with the sole end in view of increasing the political and commercial power of Great Britain.

And then he goes on again:

> The accomplishment of such a scheme would unite England with Vancouver, and with China, and we shall be able to widely extend the civilization of England. It was a magnificent scheme, and the name of the minister who had proposed it would go down to posterity as the great colonial minister.

The project on the part of England from that time to the completion of the road was kept steadily in view, and it was brought forward at last as a great political enterprise to bring about the confederation of the Dominion of Canada. It has been constructed by liberal gifts from Government. It has been wielded as a political power, but its political importance is subordinate now to its commercial importance. It is to become the great thoroughfare between England on the one hand and China, Japan, Australia, and the islands of the Pacific on the other—the shortest and quickest possible line of communication between those countries.

ENGLAND'S COMMERCIAL POLICY.

In the commercial history of the world, no nation has ever approached Great Britain in completeness, thoroughness, and far-reaching policy. Her manufactures, her commercial prosperity, her very existence as a great power is found in her policy of reaching either by rail or steamship, every country on the face of the globe by the shortest and cheapest route. To that end she has given liberally to the Canadian Pacific, and is appropriating large sums annually for ocean mail service to every country. To that end the grant has been made for the establishment of a first-class ocean line of steamers from England to Halifax, and from Victoria to Japan, China, and Australia.

THE FUTURE OF PUGET SOUND.

When we examine the physical features of the western coast of this continent, we see that there are but three ports which commerce can ever use—San Francisco, San Diego, and Puget Sound. From the mouth of the Columbia southward the coast range of mountains is broken through only at the Golden Gate and at San Diego. Everywhere else the mountains rise sharp and steep from the sea.

Now it is not difficult for us to forecast the probable future of the three places. The greatness of San Francisco is already assured. It has no river system behind it, but it has the wealth of a magnificent State. San Diego has no natural fertile region to draw from; but it will undoubtedly be a place of considerable importance.

Puget Sound has a great future before it. To and from that wonderful scroll-work of inlets and harbors will flow the great tides of commerce in coming years. Its tonnage already is assuming magnificent proportions. Its lumber is found in every land. Being in the port of Marseilles, in France, on the Mediterranean, some years ago, I saw a vessel discharging masts and spars which had been brought around Cape Horn and through the Straits of Gibraltar to that port. When in India, I was informed that the ties of the railroad in the valley of the Ganges were cut in the forests of British Columbia. Were we to go to Sydney or Melbourne, in Australia, we should see the lumber yards piled with timber sawn in the mills of Port Townsend and Ta-

coma; the same at Valparaiso, Shanghai, Canton, and Yokohama. Two years ago I was upon the Sound, and saw vessels loading with lumber for London, San Francisco, and almost every part of the Pacific.

The construction of the Suez Canal has changed the tides of commerce. The days of the grayhounds of the sea—the celebrated clipper tea ships—doubling the Cape of Good Hope have gone by never to return. The tide for several years has been via the Mediterranean and the Red Sea; but with the construction of the Canadian Pacific and the subsidized line of mail steam-ships from Puget Sound to China, Japan, and Australia a large portion of the traffic of the Orient is to arrive and depart from that Northwestern gateway of the continent. Let us not forget the unparalleled resources of the country behind it—the dense forest growth, the agricultural lands of Oregon and eastern Washington, the great plains of the Columbia, itself larger than the State of Ohio. Bear in mind that San Francisco and the ports of the Pacific are to-day burning coal from the mines along Puget Sound; that the coal supplies there are cheaper and more accessible than anywhere else. You may put it down as foreordained that a great commercial emporium is to rise upon the shores of Puget Sound. Quite likely there will be two such cities—one within our own domain and one within British Columbia. No longer does our tea come to us across the Atlantic, but via the Pacific. While at Victoria two years ago, I saw stately ships sail in, winging their way from Canton and Shanghai, loaded with tea consigned to parties in Chicago, St. Paul, St. Louis, Cincinnati, Detroit, New York, and Boston, as I learned upon inquiry, to be delivered in those cities by the Canadian Pacific road and connecting lines.

This brings us squarely to the proposition before you. The Union and Southern Pacific Railroads, if I understand the matter, ask you to step in and put a stop to this traffic within the States on the part of the Canadian Pacific. You are asked to impose such regulations as will take this traffic out of the hands of the road, and hand it over, or at least give the Union and Southern Pacific roads a chance to enter the lists. This is asked for under the assumption that the Canadian road recoups its losses on through rates by imposing high local rates. The allegation is not proven; nor do I believe it to be true. There is very little local freight on that road west of Ottawa.. The country is new; very sparsely settled. A new country needs low rates; and no railroad corporation can afford to impose high rates upon a people struggling to get a footing. The Union and Southern Pacific naturally desire to see San Francisco the entrepôt for the tea trade of this country; but Puget Sound is nearly 500 miles nearer Yokohama than is San Francisco. Every city that I have named to which tea was consigned is nearer China via Puget Sound than via San Francisco. The commerce of the Orient is no longer in the East, but in the West; it is to come to us from the setting and not from the rising sun.

THE TRADE IN COTTON GOODS.

I come now to a matter which I am sure will interest those gentlemen of the committee whose homes are amid the whitening cotton bolls of Tennessee and Texas.

England is the great cotton manufacturing nation, with more spindles than all the world besides. She takes 70 per cent. of her raw material from the ports of the Gulf and South Atlantic States, transports it across the sea, brings the balance from Brazil, India, and Egypt, and manufactures enough to swathe the globe six times. She does this an-

nually. She sends more than six hundred million yards of cotton goods to the Pacific against a few hundred thousand yards manufactured by American looms. The United States has an insignificant foreign trade in cotton goods. We have been content to put up with our home market, while England is doing the manufacturing and carrying for pretty much all the world beside.

But we have arrived at a point in our manufacturing when, if I mistake not, the people of this country are soon to enter the lists with England. It is one of the signs of the times—this dotting of the cotton-growing States with manufactories. The question arises as to what we are to do with the rapidly-increasing products of our looms? Where shall we find a market? England, with the opening of the steam-ship line from Puget Sound to China, will be quick to use it, saving nearly a month's time by so doing. In these days it is the nimble sixpence that wins against the slow shilling. The Canadian Pacific Railroad, the English mail steamers, I take it, will be just as ready to transport a bale of goods to China manufactured at Lowell, in Massachusets, at Augusta, Ga., as in Rochdale or Manchester, England, and I look forward in the near future to the shipment of goods via that line. Indeed it has already begun. During the past few weeks cars have been loaded in the yards of the Jackson corporation, in Nashua, N. H., billed to China via Puget Sound. It is but the beginning of a great traffic.

We are paying England to-day for carrying our mails, our raw materials, our manufactures. If you wish to send a letter to Brazil, it must first go to Her Imperial Majesty's dominions and be handled by the clerks of the Royal Mail before it ever reaches its destination in South America. If you would send a bill of goods to any maritime port on the face of the earth, the chances are that England's mail steamships will be the agency for carrying it.

It has been the commercial policy of England to put herself in the closest possible relations with every country by establishing a regular mail service. To this end we have the Canadian Pacific line and the promised steam-ship service on the Pacific. The United States has pursued the opposite course, refusing to establish an ocean mail service, hence we have no foreign market for our cotton goods.

We are beginning to get such a market in China. It is a trade which I think will receive a great impetus by the proposed British steam-ship service, and yet at this juncture you are about to impose regulations upon the Canadian traffic. Look at the traffic of last year, during which the United States sent mainly over the Canadian route 78,360,000 yards of cotton goods to China. England sent 562,000,000 yards of cloth to China, and a very large portion of it went over the Canadian Pacific road, having been brought to Montreal in steamers. Seventy-eight per cent. of the manufacturers in the United States are nearer to China by 3,000 miles than England, and yet England is taking the cotton from here across the Atlantic and then shipping it across this continent to China.

England sends to the western coast of South America, to Peru, and Chili more than 200,000,000 yards of cotton goods annually. Heretofore the course of commerce has been around Cape Horn or through the Straits of Magellan, but from this time on the traffic is to be via the Canadian Pacific road and down our own western coast. You possibly may wonder at such a statement, but in the transportation of bales of sheetings and kindred fabrics climate the humidity of the atmosphere is an important point to be considered. Before the

construction of the Canadian Pacific road the English shipper sending goods to China or the western coast of South America was obliged to pack his bales in oil-cloth canvas, or other fabric, which would effectually exclude the moisture of the tropics. Only those who have experienced the humidity of the tropics, just before the beginning of the monsoons, can have an adequate idea of the excess of moisture in the air. I have seen a pair of boots completely covered with green fungus in a single night. Great precaution must be taken to prevent cotton goods from mildew; hence the need of great care in packing, which of course involves expense. With the opening of the Canadian Pacific road and the connecting lines of steamers all this is to be changed. No extra care will be required to protect the goods, which will be put from Livepool to Valparaiso in thirty days.

We have seen in the papers recently no little discussion in regard to the future of Canada, that it was soon to be annexed to the United States. Allow me to express the opinion that if we desire to bring about such a consummation the action called for by the Union Pacific road is not calculated to promote that end. On the contrary, I am of the opinion that free, untrammeled commerce will tend to bring it about much more rapidly.

When in Victoria a few months ago I went into the stores and inspected the goods, and discovered that by far the largest proportion of articles were manufactured in the United States and had been purchased from the wholesale dealers of Chicago and St. Paul; that nearly all articles of hardware were from the United States; wooden ware was mostly from Toronto. Upon the shelves of the dry-goods stores were sheetings manufactured in the looms of New England. A great and constantly-increasing traffic is springing up between British America west of Lake Superior and our Northwestern States. Even the social atmosphere of Victoria is almost American. Shall we not lose commercial and political prestige if we adopt the line of action called for by the Union Pacific road?

THE QUESTION OF CANADIAN COMPETITION.

The question before you is not alone the welfare of New England, but of the whole community. This discrimination asked for is not confined to the through traffic from the Atlantic to the Pacific. Let us see where the stroke will fall. Some months since I was at Duluth, and saw long trains of cars discharging corn into the elevators which had been grown upon the fields of central Kansas. When you examine the great water-way of the lakes and the St. Lawrence and the country west and southwest of Lake Michigan you will notice that Central Kansas is no further from New York and Boston, via Duluth and the lakes, than by Chicago and the lakes. That is, the Kansas shipper can send his corn to New York via the Lakes, Buffalo, and the Erie Canal by Duluth or via Chicago.

It seems to me that if the proposed line of action is adopted we shall greatly injure ourselves. The people of the United States have not asked for this action. They make no complaint. The hue and cry comes wholly from a few railroads. Great economic laws never can be changed by legislation. If you were to enact a law discriminating against the Canadian railroads, I do not think that it would change the current of traffic, for even with the discrimination asked for the Canadian road, with its low grades, subsidized by government, with 3 per cent. guaranteed by the government, would make its rates conform to

your requirements and would still be the great transcontinental line, taking a large share of traffic from the States.

AN AMERICAN OCEAN MAIL SERVICE.

Far better for the Union and Central and Northern Pacific roads to accept the situation and enter the lists as competing roads. Better though would be the adoption by our own Government of a line of commercial policy like that of Great Britain—the establishment of an ocean mail service to China, Japan, Chili, Brazil, the Argentine Republic. Not till we do our own carrying; not till we establish a certain, constant, sure, and rapid ocean mail-service, shall we have the world for a market.

Let us see what might happen were the United States to establish a rapid mail service of weekly steamers between San Francisco and China. Throughout the Southern States there is a rapid increase of cotton manufactures, mainly coarse, stout fabrics. Were such a line of steamers established the cotton manufacturer of Texas, shipping his goods to San Francisco by the Southern Pacific, would take the cotton from the field and have his goods on the market of Shanghai in less than thirty days, whereas the English manufacturers must ship it from central Texas to Galveston, from Galveston to Liverpool, thence to the manufactory, thence back to Liverpool, send it to Montreal in the summer months, across the continent to Puget Sound, thence to Shanghai. In winter he must send it by the Peninsula and Oriental Line to Gibraltar, through the Mediterranean, the Suez Canal, the Red Sea, across the Indian Ocean, through the Straits of Sumatra, up the China coast. Six months is the shortest possible time for such a transaction. Let us not forget that Great Britain takes more than 70 per cent. of her cotton from this country. Bear in mind that she is sending between three and four hundred million yards of cotton goods to China; that she sends nearly one hundred million yards to Java and the Philippine Islands, where never a yard of American cottons has been seen, unless sent there by British merchants.

Mr. Chairman and gentlemen, a great commercial future lies before us, if we are wise enough to adopt a large, liberal, far-sighted, energetic policy.

ADDITIONAL STATEMENT OF ALDEN SPEARE.

Mr. SPEARE. I have a set of resolutions from the Lowell Board of Trade which I would like to present, Mr. Chairman.

The CHAIRMAN. We will be glad to have you do so.

Mr. SPEARE. I have been requested to present the following resolutions adopted by the Lowell Board of Trade:

RESOLUTIONS OF THE LOWELL BOARD OF TRADE.

At a meeting of the Lowell Board of Trade held this day, the following resolutions were unanimously adopted:

Whereas the interests of Lowell are co-incident with those of Boston in the matter of railway traffic, and that those interests will be seriously interfered with by the proposed restrictions or suppression of traffic by the Canadian Railroads:

Resolved, That the Lowell Board of Trade indorse the resolutions on this matter passed by the Boston Oil Trade Association.

Resolved, That a special committee to represent the interests of Lowell be appointed,

to appear before the United States Senate Committee on Interstate Commerce at a hearing to be given in Boston July 5.

Resolved, That this committee consist of the standing committee on railroads and transportation, together with Hon. Charles H. Allen, Hon. Charles A. Stott, Hon. Francis Jewett, Charles H. Coburn, A. G. Cumnock, and Alvin S. Lyon.

CHAS. W. EATON,
Secretary.

JULY 2, 1889.

STATEMENT OF NATHANIEL B. BORDEN.

Mr. NATHANIEL B. BORDEN, a member of the Board of Trade of Fall River, appeared.

The CHAIRMAN. State your name, please.

Mr. BORDEN. Nathaniel B. Borden.

The CHAIRMAN. Where is your home?

Mr. BORDEN. Fall River.

The CHAIRMAN. In what business are you engaged?

Mr. BORDEN. In the manufacture of cotton goods.

The CHAIRMAN. If you have any statement to make in behalf of your city we will be glad to hear you.

Mr. BORDEN. I do not know that I have a great deal to say in regard to this matter.

Fall River is a large manufacturing city. We manufacture cotton goods largely, a considerable amount of which is shipped to the West. Of course we are anxious to get our transportation as cheaply as possible, and we feel that the more competition there is in transportation the better rates we get; and, so far as I am concerned and the people I represent, we are satisfied with the present status of affairs. That is about all I have to say.

I am here to-day representing the manufacturers of Fall River on another matter. We have come to Boston to-day to ask the gentlemen of the committee to visit Fall River. We would like to have you come to our city and become acquainted with us as manufacturers and understand us better than you now do, probably; and if it can be arranged we will be very much pleased to have you come to our city.

The CHAIRMAN. I regret to say that our engagements are such that, while we would be delighted to go, we will be compelled to decline. We can not deviate from the programme already agreed upon without interfering with the work of the committee, otherwise we would be glad to accept your kind invitation, for which we are duly grateful.

ADDITIONAL STATEMENT OF ALDEN SPEARE.

Mr. SPEARE. Some questions were put to me yesterday in regard to distances, which I was then unable to answer on account of lack of data. I have since procured this data, and with the permission of the committee will give it.

The CHAIRMAN. You are at liberty to do so.

Mr. SPEARE. From Minneapolis to Boston by the Sault Ste. Marie and Canadian Atlantic Railway is 1,425 miles; to New York by the same route is 1,428 miles; so that from Minneapolis by the Canadian route we are 3 miles nearer than is New York. Another question was asked as to the distance the Canadian railways would have to go if avoiding Maine. The additional distance would be 89 miles.

The CHAIRMAN. Can you not let the table of distances from which you are reading go into the record?

Mr. SPEARE. It is rather hastily gotten up, but can be put in the record if you desire it.

The table is as follows:

	Miles.
From Minneapolis, via Sault Ste. Marie & Can. At. Ry., to Boston	1,425
Chicago & Can. Pac. Ry., to Boston	1,606
Chicago & West Shore route, to Boston	1,435
Sault Ste. Marie, C. P., G. T., N. Y. C., to Boston	1,586
Sault Ste. Marie & Can. At. Ry., to New York	1,469
Sault Ste. Marie & Can. Pac. Ry., to New York	1,428
Chicago & Penn. R. R., to New York	1,324
Sault Ste. Marie, C. P., G. T., & D. L. & W., to New York	1,492
Chicago & Can. Pac. Ry., to Halifax	2,029
Sault Ste. Marie & C. P. R., via Ottawa, to Halifax	1,878
From Montreal, via C. P. R., via Ottawa, to Halifax	758
G. T. & I. C. R., via Ottawa, to Halifax	850
C. P. R., via Ottawa, to St. John	481
G. T. & I. C. R., via Ottawa, to St. John	751
C. P. R., via Ottawa, to Moncton	570
G. T. & I. C. R., via Ottawa, to Moncton	662

STATEMENT OF JEROME JONES.

Mr. JEROME JONES, an importer of earthenware, appeared.

The CHAIRMAN. The committee will be glad to hear any statement you may desire to make, Mr. Jones.

Mr. JONES. What I shall have to say will be in the interest of the importers, or rather of the views that come from their stand-point on this question. Boston being second only to New York and the port for New England foreign commerce, we, as importers, feel that the success of this commerce is dependent upon having a reliable continuance of comparatively low rail rates to and from Boston.

This reliance has been secured to us by the competition of the northern roads which are a part of the Grand Trunk and Canadian roads.

While the American trunk roads are an important factor in the foreign commerce of Boston, we believe that these northern roads that connect with the Canadian lines will, if not hampered, continue in the future as they have done in the past to secure as low through rates from Boston to the Northwest as are enjoyed by the merchants in New York, Philadelphia, and Baltimore. This equality is secured by the differential rates on all west-bound traffic over these Canadian lines. What I say of Boston is true substantially at all the trade centers north and east of here in Maine, New Hampshire, and Vermont, and by this certainty of competition all the heavy items of imports such as now come here in the Cunard, Leyland, and Warren steam-ship lines from Liverpool, the Glasgow line, the London line, and the Antwerp line, consisting of wool, machinery for mills, paper stock, bleaching powder, soda ash, tin plates, Mediterranean fruits, cannel coal, salt, sugar, crockery, dry goods, glass, iron, and the thousand and one other items necessary to the progress of our people, are landed in Boston at as low a sea-freight generally as to other American ports; but that equality of rates is secured only in consequence of our having here ready return cargoes for the steamers, and the Canadian roads are our reliance to secure equally low rail rates on the grain, flour, provisions, leather, cheese, etc., to supply the export cargoes.

This commerce having been secured to us by the equality of freight rates, and with our industries in New England dependent upon it, it

seems next to if not a vested right. We believe the burden of proof is with those who would make the change.

Congress may deprive our merchants and manufacturers of rights we now have, but can not restore by legislation the harm inflicted upon the millions in New England if the northern lines are ruled out.

Senator BLAIR. You are an importer, I believe?

Mr. JONES. Yes, sir.

Senator BLAIR. What do you import?

Mr. JONES. My particular line is earthenware.

Senator GORMAN. Where do you find a market for your goods?

Mr. JONES. Chiefly in the West and Northwest.

Senator BLAIR. Do you send goods as far as the Pacific coast?

Mr. JONES. Yes, sir; our business is chiefly west of the Hudson River.

Senator BLAIR. What proportion of the goods imported arriving at Boston, which are distributed throughout the continent, pass over the Canadian lines?

Mr. JONES. I can not answer that question, because, while we do not patronize the northern lines so much as you might think from what I have said, we feel that they keep the other lines to a parity of rates, so that Boston is on a parity with the other importing cities.

Senator BLAIR. Do the Canadian roads make lower rates than the American roads?

Mr. JONES. We understand their rates are always as low, and they have a differential which they can apply. For instance, if we want to contract for an importation from Liverpool to Peoria, or to any other point in the United States, they will give us a through bill of lading from Liverpool to the point of destination in the United States.

Senator REAGAN. Do you understand that commerce coming through American ports going into Canada goes through in bond, or is it handled by American merchants?

Mr. JONES. Chiefly in bond. We sell goods in bond, and of course we sell many American products to Canadians; but the chief part of the shipments in our line go through in bond.

Senator REAGAN. The question is suggested as to whether you speak of merchandise that pays duties in the United States or goods going through in bond?

Mr. JONES. The much larger share of the goods that go through are goods which pay duty in the United States.

Senator REAGAN. Where they are for consumption in the United States?

Mr. JONES. Yes, sir.

Senator REAGAN. I am speaking of that which comes through the territory of the United States en route to Canada, whether it is merchandise which is handled by American merchants or simply sent through in bond to be handled by Canadian merchants.

Mr. JONES. Yes and no to that question; yes, so far as goods——

Senator REAGAN. You do not get my idea. A large amount of the goods you import go through into Canada, do they not?

Mr. JONES. Yes, sir.

Senator REAGAN. Now, as to that class of goods, are they handled by American merchants or do they go through in bond and are they handled by Canadian merchants?

Mr. JONES. It depends whether they go through Canada for consumption in Chicago, or whether they go to Canada and are consumed there, in which case they pay duty to the Canadian Government.

STATEMENT OF WILLIAM CLAFLIN.

Mr. WILLIAM CLAFLIN appeared.

The CHAIRMAN. You are in business here, I believe, governor?

Mr. CLAFLIN. Yes, sir.

The CHAIRMAN. You know what you want to say, and you may proceed to make your statement without interruption on our part.

Mr. CLAFLIN. I suppose that my eloquence will be rather accumulative than otherwise, as you have by this time understood the position of almost all New England merchants and manufacturers, and that is simply that they do not wish matters changed so far as the Canadian railroads are concerned.

I will say at the outset that from the first I was opposed to the interstate commerce law. I was in Congress when it was first brought before that body. I heard the arguments for it during two sessions. I was satisfied it would never pass as originally reported, and it never did, as originally introduced. I was satisfied that it would be of no benefit but rather an injury to the East and West, where it especially applies to-day. There are some parts in the law that are beneficial and there are other parts that are beneficial to nobody except the railroads, and I believe the railroads say that.

When I was in Congress there were no large railroad corporations present to oppose the law. They are generally represented before Congress and in State legislatures if they are to be affected unfavorably. I believe they early saw that the law would be to their advantage, and I believe the experience of merchants here and in the West is that the railroads derive advantages arising from the law.

LINES FOSTERED BY MASSACHUSETTS.

It has been the experience of Massachusetts for more than thirty years that she was hampered by want of complete communication, and she spent enormous sums in order to make her road to the West easy and inexpensive. Massachusetts absolutely lost nearly $12,000,000 in the construction of the Hoosac Tunnel line, in order that her merchandise might be carried from the Atlantic coast to the West at low rates. She has fostered railroads by large expenditures. She almost built a road out of Worcester to the West. I speak of this because it was brought to your attention that roads had been subsidized by the Canadian or British Government, or by both. Massachusetts subsidized roads in the way I speak of in order that her people, who were shut up here, as it were, in one part of the world, might have egress. We of New England have no mines of any value, and we have nothing but the industry of the people and the water-courses to attract people here.

THE CANADIAN ROADS EQUALIZE RATES.

One great means of equalizing the transportation for the last twenty or twenty-five years has been these Canadian roads. The routes through Canada have been very potential. In the first place, we went by northern lake routes and reached the West at moderate prices, and those prices controlled the great central lines. Say what they would, they could not overcome the fact. I remember at one time that the merchants of St. Louis, I being in business there as well as in Boston, attempted to get the rates reduced from here to St. Louis on the central roads. The rates were then from $1.75 to $1.80 on the goods manu-

factured in New England. The merchants said: "If you take our goods at $1.25 or $1 we will give you all our business." The roads refused to reduce their rates any. The merchants immediately went to the Northern line, and that line did reduce about one-half. They knew that they could make a great deal of money by doing it. An agreement was made with the Chicago and Cincinnati people, and the price was reduced one-half. Then the central lines reduced their rates to three-fifths, and offered to take the goods that they had formerly been taking at $1.75 and $1.80 for 80 cents. Notwithstanding the offer of this great reduction the merchants would not leave the Northern line, and to this day that Northern line is patronized by those merchants. It was only for one year that the agreement was made, and yet the people felt so aggrieved by the course pursued by the New York Central and Pennsylvania routes that they refused to ship by them even when those lines offered to ship for from 20 to 30 per cent. less than the Northern line.

Now, if you are going to regulate the Canadian roads I think you should regulate the roads through New York and the canal routes. You should apply some plan or other that they should be placed under the same restriction as the Canadian roads. It is well known to you that the New York Central has a line that takes advantage of the law; I do not say illegally, but they have that privilege. If they wish to evade the law they simply have goods sent through to Buffalo on one ticket, and some John Smith or man Friday or some other mythical man stands there and they are reshipped through him and your interstate-commerce law is gone. The people have no advantage of it. I would say that the New York Central and those lines act very fairly about it. They give one man or one corporation as good a trade as the other.

Senator HISCOCK. Do you think that which you have suggested is being done now by the New York Central?

Mr. CLAFLIN. I think it has been done within a year.

Senator HISCOCK. The reason I thought it was not being done now was because, as I suggested the other day, they can not possibly charge a man who buys goods to be shipped to Albany any more or any less by any such artifice as that.

Mr. CLAFLIN. I did not say they charged him less.

Senator HISCOCK. Is there anything in the interstate commerce law that interferes with that being done?

Mr. CLAFLIN. If the interstate-commerce law is to keep the prices level and provide that no one set of men shall have any advantage over another, I think there is.

Senator HISCOCK. There is nothing in the interstate commerce law that says you shall not charge less for the shorter than the longer haul.

Mr. CLAFLIN. No, there is nothing in that line.

Senator HISCOCK. And all the New York Central does is to do that.

Mr. CLAFLIN. They may do more.

Senator HISCOCK. No, because then the purchaser would buy his goods in Chicago and ship through. I only speak of that as bearing upon the suggestion made here. I do not see how that could be done so as to affect the other lines.

Mr. CLAFLIN. It takes away the business from the other lines. It enables the people living in the State of New York to get an advantage that people living across the line can not get.

THE INTERSTATE-COMMERCE LAW.

Then again the interstate commerce law has enhanced the price of goods coming from New York into this city. This is true to such an

extent that persons who formerly brought certain kinds of goods over the New York Central and the Boston and Albany have been obliged to give up the plan on account of the interstate-commerce law. The roads raised the prices in some instances 25 per cent., and when complaint was made they said it was due to the interstate commerce law. I think you will find it very difficult to obtain the evidence of any man to the effect that the interstate commerce law has reduced the price of goods coming from New York. All the advantages of the law have accrued to the railroads. If you apply that law to the Canadian routes so as to shut up New England I do not know where we are.

In the trade in which I am engaged there are probably more people engaged than in any other one manufacture in New England. It is a trade that is very close in its profits. It gives support to a very large number of people. A very small percentage will change the place of the trade. For instance, we can not manufacture any more in large cities. I do not mean in Boston alone, but the business is going away from Lynn because of the small percentage they can save by going into Maine or New Hampshire or the western part of Massachusetts.

If the prices of freight are raised and the expenses of living are raised through the intervention of the interstate commerce law the result will be that the manufacturing people will have to go into another State, because the percentages are so small that a man doing a business in Lynn of a half or a quarter of a million can go west and manufacture there, for the reason that his people can be supplied at a less price than if he manufactured in Lynn.

The people are going from the city to the country, which shows you that the manufacturers who consult their pockets and look out for the money they are going to find in their business will change the whole method of doing business notwithstanding it may be done at great inconvenience to them.

It has already been stated that we have to pay more than New York owing to this 5 cents per 100 additional rate, and with the great amount of consumption it makes an enormous difference to the people of the State. Of course they are opposed to that. These people are great consumers of the products of the West. The West brings us nearly everything we eat and drink. A gentleman who is familiar with this side of Worcester told me the other day that within fifty years nearly one-half of that country has been turned into a forest where there were formerly farms. He pointed out farms that were formerly used for raising corn and grain that were now grown up in forests.

The CHAIRMAN. Why is that?

Mr. CLAFLIN. Because we get products from the West cheaper than we can raise them here. That is so with respect to hay, even. Take fifty or a hundred thousand men who work in our business. They use a great deal of flour. They do not like rye, and use but little corn. That comes principally from the West. We can not raise anything to advantage here but potatoes and hay, and we are raising less and less hay every year. Gardening is about the only cultivation we have. An acre of cabbage in Cambridge is worth a great deal more than two acres of cereals in the West. I think our people would like to have the interstate commerce law changed so far as it affects the trade of which I have spoken.

Senator BLAIR. Is there any change that these people desire except the repeal of the long and short haul section?

Mr. CLAFLIN. I think that is the main thing. Of course that is the main difference. If that is changed I suppose it will make no differ-

ence as to the Canadian or any other railroads. I think the principle of uniform rates between New England and the West was pretty well settled before the law was passed. We used to have great competition between New York and Boston in various lines, and now they have settled down on a fair basis and each stands on its own ground. But that does not apply to places west of New York. There were all sorts of prices and agreements, and you never knew when you got your rate from here to the West what your neighbor was paying. You might be paying 50 per cent. more than your neighbor, and never find it out from him or the railroad.

The CHAIRMAN. When was that?

Mr. CLAFLIN. Within five years, I think.

The CHAIRMAN. Not since the passage of the interstate commerce law?

Mr. CLAFLIN. No, sir; I think the rates now are very uniform; but that has nothing to do with the long and short haul clause.

Senator BLAIR. You would not by any means suggest a repeal of the law, but a modification in regard to the long and short haul section?

Mr. CLAFLIN. I say that it would be better to have the law repealed as it is on the books now than to apply it to the Canadian roads.

Senator BLAIR. The question of pooling, I suppose, you have not had occasion to give much consideration?

Mr. CLAFLIN. No, sir; not now being a railroad man. Pooling was not popular when I was a director. That is a modern device. I think now the railroads think that the denial of the pool is a disadvantage to the public. Men who have been long in the business and who have a fair share of public spirit and integrity think that the law was a mistake in respect to preventing the privilege of pooling. Our people are almost uniformly opposed to the long and short haul clause, but do not take much interest in the pooling question, believing on the whole that it was the only thing, as we say, that would keep the railroads in line one with the other.

Senator BLAIR. Do you find that the people who live outside the city and traders and dealers along the lines of railroads in the smaller places receive any advantage in the reduction of fares or freights? Do you hear of that as you come in contact with the people?

Mr. CLAFLIN. Do you mean from the interstate commerce law?

Senator BLAIR. Yes.

Mr. CLAFLIN. I hear that almost uniformly.

Senator BLAIR. I mean as between competing points.

Mr. CLAFLIN. I never heard a man say he had anything less. The railroads raised the price, and that is what the people complain of and that keeps up the local rates. The local rates are far more beneficial and profitable than others, although I do not agree with these gentlemen that they are not able to make money on their through rates, and the reason I do not believe it is because they are very anxious to control a part of the business that goes from one part of the country to another.

Senator BLAIR. Do you think that it would be practicable for the Interstate Commerce Commission to be clothed with power to regulate the tariffs?

Mr. CLAFLIN. I think that you would have to find a very high commission to be able to do such a thing effectively and to the satisfaction of the railroads and the people. I think that principle would have to be adopted after a great deal of experience and in a very stringent necessity. It is hard to clothe a commission with the power to regulate rates.

Senator BLAIR. It is now left to men who have no responsibility whatever to the people?

Mr. CLAFLIN. And the people have no responsibility to them.

Senator BLAIR. The great masses of people do not live at competing points, but at intervening points along the lines of roads.

Mr. CLAFLIN. In some cases the Commission might prevent an injustice being done to a particular locality. I think our railroads in the East have come to an understanding that it is very impolitic to have to establish any principle by which one community along the line will have the advantage over another.

The CHAIRMAN. That is because the interstate commerce law prevents it.

Mr. CLAFLIN. Yes, sir; and I believe the common-law principle applies to that.

The CHAIRMAN. The interstate commerce act is based on common-law principles.

Mr. CLAFLIN. Yes, sir; but there are a great many things which are based on common-law principles which you find do not carry out what they are established to carry out.

Senator REAGAN. Do I understand it is your view that the long and short haul clause is wrong because it does not enable you to get through freights cheaper than way freights?

Mr. CLAFLIN. Yes, sir; that is one result, of course.

Senator REAGAN. Is there any other objection to it?

Mr. CLAFLIN. The objection that it operates to raise the price of freight. It enables a combination to be made which would not obtain but for the law.

Senator REAGAN. There is nothing in the law, is there, that would prevent the roads from so regulating the rates as to raise the same amount of money under the law as without it?

Mr. CLAFLIN. The railroads always take advantage of the law, if it is on their side.

Senator REAGAN. If the roads choose to do wrong is that a good reason for opposition to the law?

Mr. CLAFLIN. Of course that is not a reason, but if the law gives them the privilege of doing an unfair thing then I do not like the law.

Senator REAGAN. The policy of the law is to prevent wrong.

Mr. CLAFLIN. Under the policy now adopted they do regulate rates.

Senator REAGAN. The law prohibits discrimination.

Mr. CLAFLIN. That is right.

Senator REAGAN. And the allowance of rebates.

Mr. CLAFLIN. That is right, too.

Senator REAGAN. It prohibits excessive charges and requires equality in the transaction of business. Is there anything wrong in that?

Mr. CLAFLIN. Did they not have all those rights before under the common law?

Senator REAGAN. The common law prevents that. You understand that the common law was unavailable as a means in the hands of citizens to redress their wrongs, but something more than the common law was needed. The common law was unavailable for the vindication of the rights of the citizen. But to come to the point, take the route from here to Chicago, would it be right to charge more for the same kind and amount of freight from Chicago to Boston than from California to Boston?

Mr. CLAFLIN. It would not, but there may be circumstances in which it would be right.

Senator REAGAN. Would it be right to charge more from Buffalo or from Albany than from Chicago?

Mr. CLAFLIN. I do not think it would.

Senator REAGAN. If a rate is reasonable from Chicago to Boston, is it unreasonable or unjust to say that the railroad shall not charge more than that reasonable rate for that distance?

Mr. CLAFLIN. The difficulty is about the reasonableness—the word "reasonable." What is a reasonable rate? The railroads say a certain rate is reasonable and the people say the same rate is unreasonable.

Senator REAGAN. I am talking of the relative reasonableness. If a rate is reasonable from Chicago to Boston, is it reasonable to forbid the roads to charge any more for a shorter distance?

Mr. CLAFLIN. I do not think so, ordinarily.

Senator REAGAN. That is all the interstate commerce law does.

Mr. CLAFLIN. It does something more.

Senator REAGAN. What is it?

Mr. CLAFLIN. It enables the railroads to raise their prices.

Senator REAGAN. That is not the fault of the law, but the fault of the railroad.

Mr. CLAFLIN. You gave the railroad the opportunity to do so.

Senator REAGAN. And under this interstate commerce law have they so raised the rate as to make it unreasonable?

Mr. CLAFLIN. Who is to judge of the unreasonableness?

Senator REAGAN. The law and fact.

Mr. CLAFLIN. That is where you come back to where you were before. The difficulty was to unite the people and fight the railroad.

Senator REAGAN. I have reference to the enforcement of the remedy.

Mr. CLAFLIN. That is what I mean. A man standing alone can not fight a railroad of $40,000,000 or $50,000,000 capital.

Senator REAGAN. You understand that under the law if there is discrimination and the case goes before the Commission the Commission takes upon itself the power of righting the wrong.

Mr. CLAFLIN. Here is a business to-day over a certain line and that line places a hardship on the man who ships. He has to go to the Commission and say he suffers from this hardship, because he knows before he starts he will get the cold shoulder from the railroad. Therefore he does not start.

Senator REAGAN. Can you cite us an example where it is right to charge more for the shorter than for the longer distance?

Mr. CLAFLIN. I have no instance in mind.

Senator HARRIS. I understand you as saying that you desire the repeal of the long and short haul clause for the reason that that clause authorizes the railroad company to increase its through rates.

Mr. CLAFLIN. Yes, sir; that is the result.

Senator HARRIS. Did not the railroads fix their through and local rates before the passage of the interstate commerce act?

Mr. CLAFLIN. Of course they did.

Senator HARRIS. Do they not do the same now?

Mr. CLAFLIN. No, sir; they do not charge their local rates as a rule.

Senator HARRIS. Do not the railroad companies fix their rates now for themselves, just as they had to do and exercised the right in doing before the passage of the interstate commerce act?

Mr. CLAFLIN. Well, I do not quite understand the question; but I suppose you mean that the roads get together and fix the rate between here and Chicago, for instance.

Senator HARRIS. Has the interstate commerce act taken any rights

from the railroad companies in the matter of fixing their tariffs of charges?

Mr. CLAFLIN. No, sir; they do not complain of that.

Senator HARRIS. Because they do not, did I understand you to complain that this act has given them a power that they did not possess before?

Mr. CLAFLIN. I think so.

Senator HARRIS. I want to know whether the railroads had not unlimited power to fix their own rates before the passage of the act, and whether they do not have the same power now under the act, with the single limitation that they shall not charge a greater sum for the shorter than the longer haul over the same road and in the same direction, and that the rates shall be reasonable.

Mr. CLAFLIN. Exactly.

Senator HARRIS. Now, where has the interstate commerce act diminished or increased their power except in that one single regard?

Mr. CLAFLIN. Because it enables them to combine and arrive at an understanding with each other.

Senator HARRIS. Did they not have the power to combine before the passage of the act?

Mr. CLAFLIN. Yes, but they could not agree to it; that is the trouble.

Senator HARRIS. Did they not practice the device of pooling in order to prevent competition?

Mr. CLAFLIN. That might be.

Senator HARRIS. Well, was it not the fact?

Mr. CLAFLIN. To a certain extent, I think so. A line could break out then and do what it pleased any time it chose to, and they can not do so now under the interstate commerce act.

Senator HARRIS. Why not?

Mr. CLAFLIN. It is difficult for them to do it, to say the least. Take the case of the Baltimore and Ohio Railroad, which is now going on. The Baltimore and Ohio can break out, but they have all the railroad interests down upon them. So they did before, but they have more sympathy for the other roads than they did then. This law enables the roads to combine better than heretofore. The law tries to prevent combination, but does it?

Senator HARRIS. Do you regard uniformity and stability of rates as very important to the business of the country?

Mr. CLAFLIN. I said I did.

Senator HARRIS. Do you not think that the prohibition of recouping upon the people at non-competitive points, or, in other words, the prohibition of charging more for the shorter than for the longer haul, tends to make uniform and steady rates?

Mr. CLAFLIN. No, sir.

Senator HARRIS. Where the carrier knows that if he reduces upon the long haul to an unreasonably low rate, or reduces at all, that he can not recoup, that he can not charge more for the shorter than the longer haul, does not that tend to make better and more uniform rates?

Mr. CLAFLIN. The law enables him to raise the through price.

Senator HARRIS. Did he not have the right always to increase the through rate if he wanted to?

Mr CLAFLIN. Yes, sir; but competition was different then.

Senator HARRIS. Is not competition just the same now as then—increased by every mile of railroad that is built?

Mr. CLAFLIN. It does not seem to me to be so. The American roads come here now to prevent it by extending the law of the United States over the Canadian roads.

Senator REAGAN. Are you not aware that for many years before the interstate commerce law was passed the State of Massachusetts enacted a law prohibiting railroads from charging more for the shorter than the longer distance?

Mr. CLAFLIN. That law only applied within the State.

Senator REAGAN. Would you draw a distinction between the application of a law in the State and in the whole country?

Mr. CLAFLIN. That is what they are trying to do now. Are they not drawing a distinction between the Canadian roads and the American roads?

Senator REAGAN. The interstate commerce law does not apply within the State, but it applies the principle to the whole country; but the State of Massachusetts applied it only to this State. If it was wrong in the Government, it was wrong for Massachusetts to set the example.

Mr. CLAFLIN. However that may be, what I have stated is evidenced by the fact that the rates have been raised over and over again.

Senator GORMAN. You do not mean to say that the through rates have been raised since the interstate commerce law was passed?

Mr. CLAFLIN. Yes, sir.

Senator GORMAN. Have you definite information or facts to show that they have?

Mr. CLAFLIN. I have paid the bill for goods coming from every part of the State of New York to this city, which would show the amount raised. I complained to the authorities, and they said that under the operation of the interstate commerce law they had to raise the rates.

Senator GORMAN. Could you furnish a statement showing what the rates are to-day and what they were prior to the passage of the interstate commerce law, except during rate wars, taking the principal points west from which you receive products?

Mr. CLAFLIN. I do not receive many now.

Senator GORMAN. My understanding is that the through rate to-day is lower than at any time prior to the passage of the interstate commerce law, except when rate wars prevailed.

Mr. CLAFLIN. I have not so understood the fact.

Senator BLAIR. If local rates have been reduced 50 per cent. while through rates have been reduced only 25 per cent., relatively the through rates have been raised, have they not?

Mr. CLAFLIN. I do not know.

Senator BLAIR. So it does not follow because through rates are no higher or are even lower than prior to the time the interstate commerce law was enacted that the law operates to increase on the whole the cost of Western commodities?

Mr. CLAFLIN. It does not apply at all; you can not say the interstate commerce law reduced rates because the rates are lower, so many things enter into lowering rates. At one time I knew of tin being carried from Liverpool to St. Louis for 16 cents a hundred pounds; I do not think you will find any rates lower than that. For years the rate was not much higher than that. The tin went right over these roads, and it was to their interest to carry it or else they would not have done so. Before the law was passed the roads had a freedom which they have not under the law; they can not do that under the interstate commerce law.

STATEMENT OF FRANCIS F. EMERY.

Mr. FRANCIS F. EMERY, representing the Shoe and Leather Association, appeared.

The CHAIRMAN. State your name and residence.

Mr. EMERY. Francis F. Emery; I reside in Boston.

The CHAIRMAN. What is your business?

Mr. EMERY. I am a boot and shoe manufacturer. I was asked by Governor Claflin to appear before you as a representative of the Shoe and Leather Association of New England. The Shoe and Leather Association is an association embracing an industry whose yearly product is $250,000,000. The boot and shoe industry is one of the important industries of New England. I have given no particular thought to this subject, and am not prepared to enter into it in detail. I have only a few ideas which commend themselves to us in the trade very generally

REGULATION OF THE CANADIAN ROADS.

We understand the inquiry to be: Shall Congress so legislate as to compel the Northern or Canadian Railroad line to act in concert with the other through lines, thus placing it, with them, under the control of the Interstate Commerce Commission? We understand this action is desired by certain railroad representatives, and for the reason that the rates of freight by this Northern line are lower than those by the other lines, and with a view of ultimately raising the rates by this Northern line.

To the inquiry, shall Congress do this, we return a decided negative, and for the following reasons:

It is not the policy or the prerogative of our Government to interfere with or to dominate the domestic relations of the people, excepting so far as is necessary to protect the people from injustice and abuse. In the present instance the people do not make any complaint, because the charges by the Northern line are reasonably low. Nor is there any just complaint from any competing line that this Northern line is working injustice to it. There is absolutely no just complaint from any source against the Northern line. The railroad line which is most closely aligned with it, and which should feel most sensitively its competition, is the line dominated by the New York Central, and this line, so far from being disturbed or affected adversely, has been and is now able to realize very large profits, not only upon the actual capital invested, but upon a very large amount of fictitious or watered capital.

The New York Central line, which reaches from Boston to Chicago, has watered stock of more than $100,000,000. In fact the business done by this line, especially that portion between Boston and Chicago, is to-day and has been, viewed from its actual cost, more profitable than the average mercantile or any other great business industry. The other kindred lines are enjoying very generally a like prosperity, and are earning and dividing very large amounts, not only upon the actual cost, but also a very respectable amount upon more or less of the watered capital and securities; and all this is often done after a share of the earnings has been diverted by certain private interests which are represented by the numerous so-called color and dispatch lines, the amount of which diversion can not be ascertained.

So, then, there is no reasonable claim that injustice is being done to any other line or lines, nor is injustice done to the people at large, by

any competition which comes from this Northern line, and hence, under our national rights and common law, there is no excuse or warrant for the interference which is suggested. The request which was made to Congress for such interference, we believe, was not in the interest of any legitimate business enterprise, but may have been in the interest of stock-jobbers, since the visible influence which attended the request is more identified with stock-jobbing than with well-conducted railroad management; or, it may be, in this time of trusts, the influence which is behind the request desires to establish in effect a mammoth railroad trust, to provide a way for advancing rates of freight to the people generally, and they expect to accomplish this by first bringing all lines into subjection to the Interstate Commerce Commission, afterwards trusting to be able to capture the office of the Interstate Commission and appropriate the power so gained. Either of these ends attained would work misfortune to the people and to the country. Stock-jobbing, unrestricted power, and trusts are all socially considered and recognized as public evils.

The Interstate Commerce Commission was instituted for a different and better purpose, for the purpose of protecting the people from excessive and unjust exaction of certain railroads, and was not expected to be used to aid any railroad in exacting unnecessary charges.

Until it can be shown that this Northern line is working injury to other lines, or is oppressing the people of our country, we claim it is prudent to not interfere, and, furthermore, it is beyond the province of the Government to do so and it is against public policy to attempt to control it.

The operation of this Northern line under its liberal management has been of inestimable benefit to the people of all sections of this country. It is an avenue through which a large quantity of the manufactures of the East are transported to the consumers of the West and the South, and a large quantity of raw materials is brought from the South and West to be manufactured at the East; it is also the carrier of a large food supply from the West to the consumers of the East. By its moderate and just rate of charges its influence has extended to other lines, so that, although carrying but a small part of this entire freight, it has been the great power in the interest of the people for the regulation of the rates of freight of all lines between the different sections of the country. Every man, woman, and child in the northern half of the United States, and probably also in the greater part of the southern half, has been directly benefited by the reasonable charges which have been obtained through this line.

The geographical position of the State of New York operates to cut in twain the great streams of business which flow between the eastern and the western and southern sections of our country. Without the competition which has come from this northern line the railroads of that State have it in their power to monopolize and impose upon this large volume of business any tribute that their manager might dictate; in fact, it was the excessive tribute which was so extorted which first led to the establishment of this northern line from Boston to Chicago. It was to free the people of the country from this oppression that the business men of the great West and of the great East united in a request to the management of the northern roads to establish this through line. It is not really a foreign line in the ordinary acceptation of the word, since it was established for the benefit of the business of our own country by our own business men, who co-operated to sustain the line until it was firmly established. A large portion of it is located within our boundary. These business men established it at great labor and

cost, and it has been to them one of their greatest boons. They now cherish it, regard it as a national right and of vital consequence to the people of all sections of the country. They therefore protest strongly when any scheme is projected which threatens to take from them the reliefs which they have experienced from this important line of transportation.

To refer more in detail to this matter, the particular business interest which I represent is that of manufacturing and distributing boots and shoes throughout the country. The boot and shoe industry probably had more to do with the establishment of this Northern line between Boston and Chicago than had any other industry.

At the time this line was established the New York Central Railroad system imposed a charge of $1.80 per 100 pounds upon boots and shoes from Boston to Chicago and St. Louis—a charge that was equal to from 5 to 6 per cent. of the value of the grade that was being transported. Remonstrance was unavailing. Every avenue of transportation westward from Boston was influenced or controlled by one line. The geographical situation of the State of New York enabled its railroad systems to accomplish this and to exact this high charge. It was then that the shoe merchants of the West and South, co-operating with those of the East, worked together to effect the establishment of this Northern line. As a result of their pledge of support to this Northern line it was established, and the freight of boots and shoes to the points named was reduced to a satisfactory rate, and ever since a fair and reasonable rate has prevailed.

The benefits which have come to the people from this action are almost beyond computation. For instance: The number of pairs of boots and shoes which are produced annually in New England and are distributed through the West and South is probably not far from 90,000,000 pairs. This number of pairs represents probably 36,000,000 individuals outside of New England who are directly affected. If a tax of 5 per cent. is imposed upon these shoes, as it was formerly, in lieu of 1½ per cent. which lately prevails, it means every man, woman, and child of the 36,000,000 is to pay that much additional for each and every pair of boots or shoes consumed by them. The number of persons affected and the cost to each is a very serious matter. If added to this is the extra tax which is put upon the raw material which comes from the South and West, and which entered into the construction of the boots and shoes, the added cost is very materially further increased and becomes a serious matter.

The people of New England, amounting to several million persons, are also affected through their food supply, which comes to them mainly from the West and South. Every cent of all such unnecessary tax upon freight would be an unnecessary tax bearing directly and only upon all these millions of people, and would affect directly their comfort and welfare.

COMPETITION AMONG RAILROADS.

However great may be the benefit which may result to the people from the working of the Interstate Commerce Commission, it cannot be as certain, as reliable, and as effective as is that which comes to them from competition. In all ages of the world it has been competition which has been the great regulator, and which has preserved to the people their rights and their comforts. Whatever they have may be taken from them with less harm and detriment than would be the

loss of competition. Without it they are the prey of spoilers and the victim of others.

That competition among the railroads will become ruinous is absurd. The stockholders and the holders of securities may always be depended upon to see that competition does not go too far. The idea that railroads must be protected from competition among themselves is as absurd as would be that which should demand that merchants must be protected from the competition among themselves. They, like mercantile affairs, are nothing but business ventures, and they are both amenable to the laws of trade and are able to protect themselves. If it would be preposterous to ask for a commission to protect the merchants from competing with each other, it is equally preposterous to allege that the railroads need fostering care to protect themselves from each other.

The financial complaint relative to the unprofitableness of the railroad business which is heard of late is only the reaction which is natural and inevitable to all prosperous business. The business of constructing and operating railroads has for several years been the most profitable of all the business interests of the country. The profits to those who are included in the outer circle have been exceedingly large, while the profits to those within the inner circle have been enormous. So great has been the profit of railroading that capital has been diverted to it from our foreign, commercial, and our shipping interests, and also from some of our important domestic interests, much to the detriment of the national prosperity. A business which is so exceedingly profitable must by natural law experience a reaction. The older roads, which were built, stocked, and operated upon more reasonable profits, are not complaining. The complaint comes chiefly from those which have realized improperly these enormous profits, and whose stock and securities represent very largely fictitious values. The present troubles will in time be cured by national laws.

It is not the function of Congress to interfere and attempt to guide business ventures, more especially to assist in bringing to a successful issue such as are questionable in character and are burdens improperly and unjustly placed upon the people. To clothe the Commission with power to do this, and then to trust to its discretion to not use it, is unwise and dangerous, since the changes incident to our political movements are liable to bring into the Commission's offices those who may use such powers unwisely and adversely to the best interest of the people.

With no real or just cause of complaint at the present time, either from the people or from competing lines, against this Northern line, in view of the helplessness of the people without it, and the great benefit which the people have experienced through its competition, we claim it would be unwise, if not suicidal, to take any action which may impair the usefulness of this Northern line to the people of this whole country.

The Interstate Commerce Commission, like the police force of a city, or the military arm of the Government, is for the purpose of defending and protecting the people from abuse, and is not for the purpose of regulating their domestic transactions; especially is it not intended for promoting harmony among those who may be regarded as the abusers.

Senator BLAIR. You said that you represent an interest which produces $250,000,000 of goods yearly.

Mr. EMERY. Yes, sir; I do.

Senator BLAIR. What proportion of the boot and shoe manufacturing of the whole country is done in New England?

Mr. EMERY. I can not give you the exact figures, but I should say seven-eighths.

Senator HARRIS. How much?

Mr. EMERY. Seven-eighths.

STATEMENT OF JONATHAN A. LANE.

Mr. JONATHAN A. LANE, president of the Boston Merchants' Association, appeared.

The CHAIRMAN. Give your views, Mr. Lane, as you see proper.

Mr. LANE. You have observed probably that I have been an attentive listener and have no particular desire to say much. The Boston Merchants' Association is an organization consisting of about two hundred mercantile firms, most of whom are the large wholesale houses of this city.

The CHAIRMAN. Engaged in various kinds of merchandising?

Mr. LANE. Engaged in dry goods, clothing, furnishing goods largely, and in all kinds of goods sold, including hardware, crockery ware, and so forth. They are firms that send their men throughout the country, and no doubt my friend from Texas [Senator Reagan] has encountered the Yankee drummer of the great Yankee nation.

In Boston we labor under a good deal of disadvantage in an effort throughout the country to secure for Boston a share of the trade. If it were a question of to-day I do not know how we could get any of the trade in competition with New York and get along without New York. I sell goods for the millions, and I am compelled to have a branch place in New York. The jobbers are compelled to go directly to the merchant in the country and persuade him to buy goods from Boston merchants, if he can possibly do so, and we meet with success. If there is any advantage which the merchant of Boston possesses he can not afford to lose it.

One of the advantages the Boston merchant possesses he gets from the Central Vermont and its northern connections, so that we are able to say to the Western buyer, "If you come to Boston and do your buying the freights shall cost you no more than if you went to New York." That has great weight with the buyer. The merchant does not come to the jobber, as he did years ago. The merchant goes to the buyer with samples and says to him, "If you give us your orders you will pay no more freight than when you buy your goods in New York," and we have been able to hold a goodly share of the trade of the country, and, as I said before, this is largely due to this Northern line of road. We have secured these advantages and hold them, and it would be a tremendous loss to Boston if any of these advantages were seriously curtailed.

I do not understand from the spirit of this committee, as it has so far been manifested, that there is any purpose to destroy these northern connections. I understand the spirit of the committee to be to put all these railroads on an equal footing.

The CHAIRMAN. The committee is simply under instructions to make inquiries, without regard to any views its members entertain and without regard to any views the body it represents may have.

Mr. LANE. So far as the Grand Trunk is concerned, that is a part and parcel of New England. It is so interwoven with the interests of New England that it is a part of the New England system of roads.

But as far as the Canadian Pacific is concerned there is a difference in the status of the two cases. I took occasion recently to inquire of my

New York house if we were sending any merchandise over the Canadian Pacific road. I found that we were. This was not done by any contracts we made with the merchants, but we were delivering from New York to the buyer over this road because the buyer makes his own contracts, and we prefer the merchandise sent that way. I found that some of our merchandise was going to San Francisco by way of the Canadian Pacific and lines of steamers on the Pacific coast.

RATES OVER THE CANADIAN PACIFIC.

It may be interesting to the committee to ascertain how that was so, and when I tell you I think you will see clearly that in the whole transaction the Canadian Pacific gets no great advantage, and on the whole, the Canadian Pacific is doing the people of the United States a substantial service in carrying these goods in this roundabout way to the people of the Northwest.

Take the cheap grade of blankets. We ship fifty pairs of these blankets in one lot; each blanket will weigh 6 pounds, and the whole cost of fifty would be about $170. Now, the buyer of these blankets wants to get his merchandise to the Pacific coast at a rate that will bear some reasonable value to the goods themselves, and I find that merchandise of this kind carried in that roundabout way is taken at a very reduced rate of freight. I can not say what those rates are, because I do not make the contract. But I understand that the merchant in San Francisco saves from 2½ to 5 per cent. in sending goods that way. The Canadian Pacific carries the goods 4,000 miles in transporting them to the Pacific coast by rail and steamers. The Canadian Pacific carries this merchandise 700 miles farther than our roads, through a region of storm and tempest a large part of the year, and I take it that the running of railroad trains in a northern climate, even if not impeded by snow, in a low temperature, is dangerous, and it seems to me that the transaction is one that can not be very profitable for the Canadian Pacific. Yet they are doing for us very much the same kind of business as when we sent our goods around Cape Horn, and thereby conferring upon the people of the West and New England a great advantage.

This sort of merchandise could not stand the high rate that first-class dry goods stand. The merchant expects to pay a high rate for first-class merchandise. Therefore the Canadian road is serving us in what might be called the skimmed milk of the business. They take ordinary and cheap merchandise in this way and thereby serve the interests of the country, and I presume that we in this matter are looking out for the interests of the people, and view the railroads with secondary consideration.

This is a practical statement of the business that these northern roads are doing, and I am informed by members of the Merchants' Association who are engaged in the dry goods jobbing business, and sending merchandise out of season, and sending goods of low value, that they send them in that way and pay less freight, and by that method are enabled to place their merchandise in the South and West on more favorable terms.

It will be seen at once that this whole thing does not illustrate that the Canadian roads need to be put under a remarkable degree of surveillance. If they should recoup, to use a familiar phrase, on their friends at home, I do not know why we should look out for the people of Canada. What we want to take care of is the people of the United

States, and if they get a good job out of these roads I am not worried about the freight paid by the people in Toronto or the people in Canada generally. I do not know that I want to make any further remarks on this subject.

The CHAIRMAN. We are very anxious to close the hearing to-day by 4 o'clock, and I will say that if any person here has a paper prepared he can present it to the committee without reading it. We do not want to cut off anybody who wishes to be heard orally, neither do we wish to cut off anybody who desires to communicate his views in writing.

ADDITIONAL STATEMENT OF MR. ALDEN SPEARE.

The CHAIRMAN. I understand that Mr. Speare would like to make a statement supplemental to his remarks heretofore made before the committee.

Mr. SPEARE. I would like to be heard on the matter of the long and short haul clause. The question has been asked here, "Has the long and short haul clause of the interstate commerce act changed unfavorably the rates from what they were previous to the passage of the act?" I know of instances in which this is the fact. Where the rate was 90 cents a hundred before the law was passed, it has been very considerably increased. When the interstate commerce law went into effect the roads had to reduce their whole tariff because they had intervening rates higher than to a point farther distant, and the through rate was made $1.22 and that rate is in existence to-day, when the rate was 90 cents prior to the enactment of the interstate commerce law. In another case right in our own New England territory the rate was changed. The rate was 32 cents per hundred pounds. In the same revision that became necessary by the enactment of the interstate commerce law they had to reduce it. Either that rate had to be decreased at that point or increased at a point beyond. But in many cases the rates have been increased on numerous articles.

THE QUESTION OF POOLING.

Now, in reference to pooling. Pools originally were made by railroads not as against communities but as against themselves, for the protection of themselves one against the other. There are four things the community want—they want fair rates, reasonable rates, equitable rates, and they want no changes. There is no plan that will so thoroughly protect a community as the pool.

Let me give you an instance of a cut. A few years since there was a new road that came into Denver. The new road wanted a proportion of the business there. The other roads refused to give them what they called their proportion. The rate was cut down to 6 cents. You may say the community got the benefit of that cut. Every merchant in Denver proceeded to stock up to the extent of his ability, feeling that if he did not his neighbor would. Their customers did not feel this cut, and the result was that more than four-fifths of the merchants failed within six months. The same thing happened at El Paso. The rate from the Indian Territory to Chicago was $90 per car. A new road coming in and finding it could not get what it called its share of the business reduced the rate to $50 a car. The cattle dealers thought that was their opportunity and got together all the cattle they could. They

failed. It benefited nobody. Chicago was overstocked, and it hurt the raising of cattle in Texas. Those are facts of which I know.

Senator HISCOCK. You think, as a rule, that in New England and everywhere else the shippers are favorable to pooling?

Mr. SPEARE. Yes, sir; I do.

Senator HISCOCK. Have you ever heard of any sentiment amongst shippers against pooling?

Mr. SPEARE. No, sir; I have not.

The CHAIRMAN. So that you would be in favor of an amendment of the interstate commerce law authorizing or permitting contracts to be made between railroads, subject to approval of the Interstate Commerce Commission?

Mr. SPEARE. I would, most certainly.

Senator HARRIS. What sort of pool would you recommend? How would you adjust the business or allow the business to be adjusted as a pool between competing railroads?

Mr. SPEARE. I would not care how they adjusted it, whether by money or division of traffic, for this reason—being under the approval of the Interstate Commerce Commission, presumably the rates must be reasonable. If they adjusted it among themselves I would not care. I have known of a pool where four railroads entered at a certain point and agreed upon a division of 25 per cent. each, and if either did not have 25 per cent. of the business the proportion of the road which was lacking was paid back to it in money, the railroad carrying the surplus paying over the amount in money. You see it is not to the interest of the carrier to haul any more than its proportion with an arrangement of that kind.

Senator HARRIS. But a railroad that does not carry its proportion and receives from the railroad that did carry the traffic any amount, whether large or small, gets that amount from the commerce of the country for no service whatever, does it not?

Mr. SPEARE. Yes, sir; it is just like the case you had before you in New York. The Erie people testified that they had received a half million of dollars, and still it was a division among the other roads of the profits of what they considered their fair proportion of the business they should have had between those points.

Senator HARRIS. If those railroads that carried that freight and earned that half million did not have to give it to the Erie road, could they not have rendered that service to the country for a half million less cost?

Mr. SPEARE. Probably they could not. In the first instance the cutting would not be beneficial because by and by the railroads would come to an agreement for a higer rate.

Senator HARRIS. My question is, could they not, if they had not donated that half million dollars, have done the business for $500,000 less cost to the country?

Mr. SPEARE. Certainly, because they just had that much more money to divide among their stockholders.

The CHAIRMAN. Or they could have reduced their rates?

Mr. SPEARE. Certainly.

Senator HISCOCK. Take the New York Central and the New York, Lake Erie and Western. Now, applying the doctrine of the survival of the strongest to those two roads; they warred until one was bankrupt; and at that time the bankrupt road would cease to be a regulator of the rate, and the victorious road would hold a monopoly of that traffic, would it not?

Mr. SPEARE. Yes, sir.

Senator HISCOCK. And you think if pooling could be legalized and subject to the scrutiny of the Interstate Commerce Commission, so that no unreasonable and excessive rates could be charged, it would be a benefit to the transporter?

Mr. SPEARE. Not only to the transporter, but to the community itself.

Senator HISCOCK. If the shipper can stand it, as a matter of course the consumer can stand it. Their interests are identical. What the consumer wants is to get cheap goods, and what the shipper wants is to find the market.

Mr. SPEARE. And in the old state of pooling our rates changed very seldom. Our members could go on change and buy with confidence 100 and 200 loads of grain to come the following month; but as it is now, with a liability of a change of rate in ten days or three days, they never know when to buy grain. There is nothing like a buyer knowing that the rate will be stable.

Senator BLAIR. I suppose this is all a blind groping after the consolidation of all the roads and their operation by the Government?

Mr. SPEARE. I do not know.

Senator BLAIR. Then what does it mean? Here are different interests that are to be allowed to bargain together for freights, and the loss of one is to be made up by another, so that it is practically the same thing. If two are to be allowed to pool, four are to be allowed to pool, and very soon you have the country covered by a combination made up of corporations competing with each other as a system. Then you have a consolidation of the transportation interests of the country inevitably, and all that taking place under the regulation or supervision of the Interstate Commerce Commission, which means supervision by the Government, does it not? Now, would not that be the best thing? Mr. Fink says so.

Mr. SPEARE. I say it is all right so long as the pool is under the supervision of this Commission and the rates of all shall be reasonable.

Senator BLAIR. And the Government decides what is reasonable in the interest of the people.

Mr. SPEARE. Certainly.

Senator BLAIR. That word "consolidation" some years ago would have driven a man out of public life, and yet it now seems to be advocated by merchants and shippers and everybody.

Mr. SPEARE. Yes, sir.

STATEMENT OF WILLIAM G. BARKER.

Mr. WILLIAM G. BARKER, a lumber merchant of Boston, appeared.

The CHAIRMAN. Where do you reside?

Mr. BARKER. In Boston.

The CHAIRMAN. What is your business?

Mr. BARKER. My business is lumber. I am a manufacturer and also a selling agent of various manufacturers of lumber through New England—in Vermont, New Hampshire, and Massachusetts. We have three mills which are so situated that if legislation were passed it would cause us to close, as that would mean retaliation by the Canadian Government. We can not get out without going through or over Canadian soil. One is the firm of Caswell & French, located at Holland, Vt., shipping over Derby Line via Passaic Railroad. Another is the firm

of Lowelltown Lumber Company, at Caswell, Me., on the Canadian Pacific Railroad. Another is the firm of Farnham Brothers, located at Washburn, Me., and shipping from Caribou, Me., via New Brunswick Railroad. In shipping from all these places we have to go over Canadian soil, so that you can see that if we had any retaliation we would be pretty well bottled up. Our capital is put in there and we should have to protest very vigorously against any legislation which would interfere with our business. There are besides our factories several other manufacturers there and along the line of the Canadian Pacific. In Maine the manufacture of lumber is growing quite rapidly.

The CHAIRMAN. What is the amount of your manufactures?

Mr. BARKER. Two of these mills in long lumber, ten millions, and of shingles fifteen millions.

The CHAIRMAN. Where do you send those manufactures?

Mr. BARKER. All through New England.

Senator HARRIS. You say "millions"—millions of what?

Mr. BARKER. Millions of feet of lumber and millions of feet of shingles.

Senator HARRIS. Do you send any of that lumber outside of New England?

Mr. BARKER. No, sir, except a very small part that goes to New York.

Senator HARRIS. Have you any definite knowledge of the total amount of the lumber business of Maine?

Mr. BARKER. No, sir, I have not that at hand.

Senator BLAIR. Is not the lumber in the logs brought from Canada?

Mr. BARKER. No; American logs.

Senator BLAIR. Are the mills you speak of in the general manufacture of lumber?

Mr. BARKER. Not in our section; our section is mostly spruce. There are some logs brought in from Canada that are manufactured at Newport.

Senator BLAIR. You do not manufacture in Canada?

Mr. BARKER. No, sir. All our logs are of American growth, but we are obliged to go through a portion of Canada to get out again to the States.

STATEMENT OF S. HENRY SKILTON.

Mr. S. HENRY SKILTON, of Charles H. North & Co., of Boston, pork packers, appeared.

The CHAIRMAN. Where do you reside, Mr. Skilton?

Mr. SKILTON. In Boston.

The CHAIRMAN. What is your business?

Mr. SKILTON. I am a pork packer.

The CHAIRMAN. Proceed in your own way to make whatever remarks you think applicable to the subject under inquiry.

Mr. SKILTON. I had not expected to say anything on this occasion, but I am so very deeply interested in this matter of Canadian railroads that I can not refrain from saying a few words. I consider that the Canadian roads are of vital importance to the commercial interests of Boston. Without the Canadian railroads Boston would be entirely at the mercy of the Vanderbilt system of roads, who, I am convinced, believe that there should be only two cities of large commercial impor-

tance—New York and Chicago. They favor New York as against Boston every time. The business with which I am connected here in Boston is probably next in size to any firm in Chicago.

The CHAIRMAN. Where do your hogs come from?

Mr. SKILTON. From the West; largely from Chicago and from points further west; from Missouri River points, Omaha, Kansas City, etc. The total value of the hog-packing interest of Boston is over $25,000,000 a year. My concern, Charles H. North & Co., do a business of between $7,000,000 and $8,000,000 a year. We have a very large export trade, which we have had for years, and the railroads have always said to us that they would give us the export rate on hogs to Boston. They do that when the rate is favorable to them; but when large cuts are made in the business, that is, when they carry goods from Chicago to Liverpool at the same or less prices than they do from Chicago to Boston, they do not make that corresponding reduction to us, and they merely say that they can not afford it. In other words, they can confine our business to their lines as long as we are in Boston, and, geographically, not in as good a situation as New York. They say "You have no business to be in Boston; either go to New York or to Chicago. Both of these places have good facilities for the export business. We can not grant you any of these facilities unless you go to Chicago or New York."

In July of last year the rate on hogs from Chicago to Boston was 23 cents, while the rate on provisions from Chicago to Liverpool was 23½ cents.. They have always said to us also that we should have the same rate of freight on live hogs as New York slaughterers. They reduced the rate from Chicago to New York 5 cents a hundred and refused to give a like reduction to us. This discrimination during the period from July to October cost us $15,000 in freight rates.

We consider that a very unjust discrimination, and there is really no chance to get at it. They know that while the Canadian roads are favorable to Boston and New England interests they can block them out entirely or hamper them so that the Canadian roads will be obliged to charge more for freight or will be willing to enter into an agreement with them to run the freight up to a price where a man can not bring hogs from Chicago to Boston and slaughter them and manufacture the goods for export; so that they can practically kill this large business in Boston. They think if the Boston business is killed, Chicago or New York will get it, and the Vanderbilt lines will have the entire business.

The Canadian railroads are bringing our hogs to us at present. We do not get any less rate from them that we would over the Vanderbilt lines, but the Vanderbilt lines are a much shorter route, and could they succeed in getting legislative action in favor of them as against the Canadian railroads, or have any restriction put upon the Canadian roads, they would no doubt shut them out from a very large portion of the business they now do.

We have here in New England quite a mileage of roads—the Boston and Maine, the Fitchburg, the Cheshire, the Central Vermont, etc.—which are fully equipped to do their share of the trade, but there is a little feeling and animosity against them, a desire to shut them off, and in that way to bring the business entirely over the Vanderbilt roads. Could the Vanderbilt lines succeed in having the Grand Trunk put under restrictions it would be a very easy matter for them to so hamper the Canadian roads that they could not do any of the through export business, for the reason that the Vanderbilt lines have got much the better route, and they would give the shipper twenty-four to forty-eight

hours better, quicker time, which would be of immense value, and the Canadian roads would have no show of getting a share of the business.

The CHAIRMAN. The American roads would give the quicker time?

Mr. SKILTON. Yes, sir.

The CHAIRMAN. Why could not the Canadian roads give the same time?

Mr. SKILTON. The Canadian roads are single-tracked for a large part of the line, and they have not the facilities of the Vanderbilt system. The Vanderbilt system has taken a great deal of business from the Canadian roads on account of their superior facilities and their capacity to make faster time.

The CHAIRMAN. As things now exist the American roads refuse to give you the quicker time?

Mr. SKILTON. No, sir. They promised us very much quicker time than they gave us. They promised to bring freight through in sixty hours. As a matter of fact it took sixty-five or seventy hours. The Canadian roads bring the same freight through in eighty hours.

The CHAIRMAN. From where?

Mr. SKILTON. From Chicago. I have a feeling that any interference with the Canadian roads would be very detrimental to the port of Boston, not only for its local business but also for the export business. In order to maintain any business here at all it is necessary to have good steam-ships to carry the freight as cheaply from Boston as from New York. We have a good fleet now, a large number of which are supplied with freight from the Canadian roads.

I look upon it as though the Canadian roads have a pretty hard fight as it is, and that any legislation against them would not only be detrimental to the Canadian roads and the roads that connect with them, but also to the merchants of Boston, and to every line of trade, particularly our line.

Senator BLAIR. Where do you market your pork?

Mr. SKILTON. Forty per cent. of it goes abroad. A large amount of it goes to Liverpool, London, Glasgow, and all over the continent.

Senator BLAIR. Where does the 60 per cent. go?

Mr. SKILTON. It is taken by the New England trade. Perhaps I might say 40 per cent. to the New England trade and 20 per cent. to the Middle States and the South. Quite a proportion of our goods go South. We have large markets in Savannah, Ga., Charleston, S. C., etc.

Senator BLAIR. You sell your goods there in competition with the packers from the West?

Mr. SKILTON. Yes, sir.

RATES ON LIVE-STOCK IN JULY, 1888.

If you will allow me, Mr. Chairman, I would like to put in the record the tariff sheet on live-stock which was in effect in July, 1888, showing the rates upon live-stock in car-load lots from Chicago to various points.

The CHAIRMAN. We will be glad to have you do so.

The tariff sheet is as follows:

Live-stock tariff taking effect July 14, 1888.

The following will be the rates upon live-stock, in car-loads, from Chicago to points below named:

[In cents per 100 pounds.]

From Chicago, Englewood, Grand Crossing, South Chicago, and Colehour to—	Cattle.*	Sheep.	Hogs.	Horses and mules.
New York	5½	25	18	60
Boston	10½	25	23	60
Philadelphia	5½	23	16	58
Albany	5½	20	18	48
Utica	5½	20	17	48
Syracuse	5½	20	15½	43½
Rochester	5½	18½	14½	40½
Pittsburgh. } Buffalo. }	5½	15	11½	32½

*The above rates on cattle will not apply via the New York, Lake Erie and Western Railway.

Rates to an intermediate point will in no case be higher than to a point beyond. Stations east of Chicago will not charge higher than from Chicago, subject to the following minimum weights: Cattle, 20,000 pounds per car; sheep, 14,000 pounds per car, single deck, 18,000 pounds per car, double deck; hogs, 16,000 pounds per car, single deck, 22,000 pounds per car, double deck; horses, 20,000 pounds per car.

The rates named in this tariff are subject to withdrawal or advance at any time on giving the ten days' notice required by law.

M. S. CHASE,
Assistant General Freight Agent, Chicago.
J. T. R. MCKAY,
General Freight Agent, Cleveland.
R. VAUGHAN,
Live-Stock Agent, Union Stock Yards, Chicago.

Mr. SKILTON. I would also like to insert, as bearing upon this investigation, a letter addressed to our firm from A. H. Hovey & Co. of Chicago.

The letter is as follows:

[A. H. Hovey & Co., Room 512 Rialto Building, Chicago.]

CHICAGO, *July* 23, 1888.

DEAR SIRS: Referring to your favor of 20th, we wired you 23 to Boston; this is for box meats, barrel pork, etc., as usually shipped (loose and green meats always 5 cents more). We wired you asking 25 to Liverpool; this is always box or packed meats and is from Chicago to Liverpool. 23.62½ was accepted, Chicago to Liverpool. Our market is booming, 7 cents for green shoulders and 10½ for green hams. S. P. shoulders 7½ and S. P. hams 11½.

Expect last car G. shoulders will be shipped to-morrow.

Yours truly,

A. H. HOVEY & CO.

CHAS. H. NORTH & CO.

THANKS OF BOSTON ORGANIZATIONS, ETC.

Mr. ALDEN SPEARE. Mr. Chairman and gentlemen of the committee, I want to thank you, in behalf of the various organizations of Boston, for the time you have given us and the attention shown us.

The CHAIRMAN. I desire, on behalf of the committee, to thank the Railroad Commission of this State, the president and the other members of the commission, for the kindness they have extended to us in giving us the use of their rooms and other aids rendered us in the investigation.

I also wish to thank you, Mr. Speare, for your efforts in the direction of keeping the committee supplied with gentlemen to be heard.

If there are no others desiring to be heard the committee will stand adjourned to meet at Detroit.

At 3 o'clock and 45 minutes p. m. the committee adjourned to meet in Detroit July 11, 1889.

DETROIT, MICH., *July* 11, 1889.

The committee met at 11 o'clock a. m., pursuant to adjournment.

The CHAIRMAN. The clerk will read the resolution under which the committee is pursuing its investigation.

The resolution was read.

The CHAIRMAN. Mr. Raymond is here according to pre-arrangement. He is the first gentleman to be heard.

STATEMENT OF ALONZO C. RAYMOND.

Mr. ALONZO C. RAYMOND, a member of a committee appointed by the Board of Trade of Detroit, appeared.

The CHAIRMAN. Where do you reside?

Mr. RAYMOND. In Detroit.

The CHAIRMAN. What is your business?

Mr. RAYMOND. I am practicing law.

The CHAIRMAN. Whom do you represent on this occasion?

Mr. RAYMOND. I was formerly a member of the Board of Trade of this city for about thirteen years, and am one of a committee appointed by it to appear before this Senate committee.

The CHAIRMAN. You are familiar with the resolution under which we are acting, and you have heard and read something of our investigation heretofore. You may proceed to state your views generally in such manner as you deem proper.

Mr. RAYMOND. I have made a few notes so that I would not get too far off the track of this inquiry.

EFFECT OF CANADIAN COMPETITION.

The first question suggested by the committee is—

Do the Canadian lines of transportation operating in the United States affect the commercial interests of this country favorably or unfavorably?

It seems to me there could be but one answer to that, and that is favorably. The importance of these Canadian lines to our State and our city is very great. In fact, the prosperity of the State of Michigan depends largely upon the Canadian lines of transportation. There can not be any two opinions about the importance of leaving them undisturbed, so far as the interests of our State and city are concerned.

As to their influence upon the country generally, it is well known that the Chicago rates of freight are what are called the unit rates, and all other rates—at least as far west as the Mississippi—take some percentage of the Chicago or unit rate. The Grand Trunk has large influence in making that unit rate from Chicago reasonable.

THE UNIT RATE.

Senator HARRIS. Will you explain exactly what you mean by the unit rate?

Mr. RAYMOND. For instance, if the rate from Chicago to New York has been decided upon by all the railroads, including the Grand Trunk, to be 25 cents per 100 pounds on a certain class of freight, Detroit takes 78 per cent. of that, Peoria takes 105 per cent., St. Louis takes 116 per cent., and so all sections of the country are grouped by percentages, dependent upon the Chicago or unit rate.

The CHAIRMAN. That is to say, Peoria's percentage is higher than Chicago's, for instance?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. And then it is a certain rate at St. Louis?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. And what is it at Detroit?

Mr. RAYMOND. At Detroit it is lower, but the whole country north and south is divided into groups, and all stations and cities and towns are divided into groups, taking certain percentages of the Chicago rate, so that whatever influence affects the Chicago rate in the means and conditions of making reasonable rates affects all portions of the country, even though no part of the traffic of the country passes over the Canadian line.

Senator HARRIS. Is it owing to the fact that these Canadian lines form a cheaper line of transportation to the seaboard that the Detroit rate is 78 per cent. of the unit rate?

Mr. RAYMOND. No, sir; but Chicago is taken as 100 per cent.

Senator HARRIS. That is at the initial point?

Mr. RAYMOND. At the initial point. Detroit in distance from New York to Chicago is 70 per cent., and we claim here in Detroit, and we had a case before the Interstate Commerce Commission based on that claim, that we ought to have 70 per cent. of the Chicago rate.

The CHAIRMAN. Seventy per cent. instead of 78 per cent.?

Mr. RAYMOND. Yes, sir; but Toledo, Detroit, and Port Huron and certain towns in Michigan take 78 per cent. of the Chicago rate—78 per cent. of that sum—and the grouping extends southward to the Ohio River. Then at another dividing point, which includes Peoria, it is 105 per cent. Peoria and all the towns within a large area of country take 5 per cent. more than the Chicago rate, and then when you strike the Mississippi River, all points from Burlington down to Cairo, and all along the river, take 116 per cent. St. Louis, Hannibal, Burlington, and all those towns take this 116 per cent. rate. So that whatever influences favor the unit rate also influence the freight rates of the whole country, and that is the advantage of the Canadian lines to sections of country which do not contribute any traffic to the lines, because the Canadian lines make the unit rate reasonable.

It has been claimed by parties in some of these investigations that the rates would not advance in case the Canadian competition were removed, but the same parties demand the removal on the ground that Canadian competition is destroying their business. Now, the great competitors of the Grand Trunk system of course are the Vanderbilt and Pennsylvania systems, and if it is true that their business is being destroyed and their interests injured the fact ought to show in their reports.

Michigan Central stock about a year ago or a little longer was worth 72; now it is worth in the neighborhood of 95. Lake Shore stock for two

or three years hung around 85 and 90. It is now in the neighborhood of 105.

INCREASED EARNINGS ON AMERICAN ROADS.

I have here a little report in the last issue of the Railway Age, under date of July 5. This is, perhaps, the leading railway journal of the country and devoted especially to railway interests. The report shows the condition of the New York Central and the Pennsylvania interests during the last year, and if the committee would like to have that read I would be glad to show the falsity of the claims of those who favor the removal of Canadian opposition.

This report states that the New York Central and its leased lines for the nine months ending June 30 earned $25,990,000, or about $652,000 less than in the same period last year; but their operating expenses were cut down $687,000, so that the net earnings, $8,600,000, were $36,000 more than last year, and that they will allow the payment of three quarterly 1 per cent. dividends and leave a small surplus.

The last quarter's showing is much better, there being an increase of $317,000 in gross earnings and $204,000 in net earnings, and a surplus, after paying dividends, of about $11,000 instead of a deficiency at the same time last year of $184,666. The statement is therefore encouraging. Fortunately for the New York Central Company, it has an immense local business not affected by the interstate commerce law or by association quarrels, and it is not constantly harassed by hostile State legislation like many of the Western roads.

I think that must dispose of this question of Canadian competition with the New York Central system.

On page 440 of the same journal it says:

Returns of railway earnings which have come in this week include the Vanderbilts, Erie, Reading, the Pennsylvania, Northwest, Omaha, St. Paul, Union Pacific, and Canadian Pacific. The Erie and Reading make poor returns, as all coal roads have been doing for some time. Union Pacific surprises its friends by reporting a gain of $196,000 for May, and the Canadian Pacific shows an increase of $145,000. The Vanderbilts, perhaps, are not going backwards, although the most that can be said for the exhibits made this week is that they show moderate prosperity. Rates have been stable, though not high, and comparison is made with the six months of last year when practically the same conditions existed, for it was not until the fall when all tariffs were smashed, consequently the great improvement in the properties this year will be apparent when the figures for its last half are made up. The former rate of dividends has been maintained by the several companies. The May statement made by the Pennsylvania is unquestionably favorable. It shows a gain of $267,000 in gross earnings and nearly $182,000 in net earnings, but from the latter is to be deducted a loss of $69,000 made by its western lines. The total gross earnings for the month were $5,294,810, a gain of $112,000 compared with the corresponding month in 1886.

I refer to this statement to show that the abolition of Canadian competition on the ground of its ruining American lines is not true—that it is not well founded. The Union Pacific even shows a gain of $196,000 in this last report.

Now if this Canadian competition was cut off, of course the same lines would increase their profits enormously. They do not need the abolition of the competition on the part of Canadian lines to save loss, but would simply increase their profits by the removal of Canadian competition.

Senator HARRIS. Of course their profits would be increased in the same ratio as the business over their lines would be increased?

Mr. RAYMOND. Their profits would be increased by an increase of business and by the increase of rates both, as the well known Vander-

bilt maxim is that the trafic shall pay what it will bear, just as anyone else would do their business, to make as much as they could out of it. Of course if they can defeat competition by getting the United States Government to assist them, certainly no one can blame them; but the commercial interests of the great mass of producers and shippers and consumers in the great cities of the States that are dependent on these Canadian lines must fight their selfish interests.

Senator HARRIS. Whose selfish interests?

Mr. RAYMOND. The selfish interests of the American roads. I have always felt that Canada has not treated the United States fairly with respect to their Welland Canal tolls.

Senator HARRIS. Can you give us any exact information on that subject?

CANADIAN CANAL TOLLS.

Mr. RAYMOND. It is well known that the rebates allowed to vessels carrying freights down the St. Lawrence are so large as practically to amount to no tolls, while the vessels bearing cargoes to American ports through the Welland Canal pay 20 cents a ton. Canadian vessels, bound down the St. Lawrence, only pay 2 cents. The treaty of Washington certainly intended that those rates should be made uniform.

But aside from that question I should say that there is no occasion for any change in the present transportation relations between the United States and Canada.

Senator REAGAN. Does that discrimination relate to the transportation going through the Welland Canal alone, or does it relate to the transportation going through the Welland Canal and the St. Lawrence Canal?

Mr. RAYMOND. I am not certain, but my impression is that it relates to the Welland Canal alone, because when the property is bound to Montreal and the Canadian merchants are going to get the handling of it, they do not interpose any obstruction, but I am not certain of that.

THE BONDING SYSTEM.

The system of transit in bond has been in force about twenty-three years, having been authorized by the act of Congress in 1866. Since that time a great many millions have been invested in building railroads connecting with the Canadian lines. A great many more millions have been invested in business enterprises dependent upon the Canadian lines and their connections, and it seems to me that it would be exceedingly bad faith on the part of the Government if it should now withdraw the privileges afforded such large business interests as have been built up by its own citizens.

An argument has been made before this committee that as we prohibit the coastwise shipping business with Canada we ought for the same reason prohibit a railwise business—a railroad business being done by foreigners. But it seems to me that the statement I have just made with reference to the interests that have grown up under the present system for the last twenty-three years would destroy all the force of the coastwise argument. The retaining of our shipping privileges and the training of American sailors are important, but none of those features enter into the railroad situation. Any change in our present relations will not take up a single Canadian rail. The railroads are built, and they will be worked and used in peace or war whether

we allow them to engage in American traffic or not, and I think there is no parallel whatever between the prohibition of coastwise business and the prohibition of railroad business.

LAKE TRANSPORTATION.

The CHAIRMAN. What are the facts as to the business on the lakes? Do not the Canadians enjoy the opportunities of shipping from Canada to our ports across these lakes?

Mr. RAYMOND. Yes, sir. Canadian vessels come here to Detroit and to Chicago and load for Montreal, but probably nothing like the number of American vessels which load at Chicago for Collinwood, Goodrich, Sarnia, and Owen Sound ports, up in the northwestern part of Canada, bordering on Lake Huron. The number of American vessels which carry traffic from ports in the United States to ports in Canada is much larger than the number of vessels which carry freight from Canadian ports to American ports. So that any change in that respect would entail a far greater loss upon our own citizens than upon the Canadians.

Senator HISCOCK. That is simply international commerce.

Mr. RAYMOND. Yes, sir. I do not suppose we could prevent a Canadian vessel from loading at our ports if she obeyed the laws of the country, unless we placed an embargo on the business of the two countries, and if that were done it would mean war.

AMERICAN ROADS HAVE THE ADVANTAGE.

It has been stated that a large advantage rests with the Canadian railroads by reason of their exemption from the long and short haul clause of our interstate commerce act. I do not think that is so. I think the advantage is all with the American roads. The New York Central has a thousand miles of road—the West Shore and leased line—most of it a four-track line; so that you can double the distance almost in the calculation as to these lines traversing an immensely wealthy and populous communit[illegible]illed with the most fertile farms and dotted with immense factories. Their local traffic, as shown in this report to which I have referred, is so great that this system is beyond the influence of the interstate commerce act, and it has a great advantage I think over any Canadian line.

This is not alone true of the New York Central system. The Pennsylvania system does a large local business, and that road in the State of Pennsylvania is exempt from the operations of the long and short haul clause of the act, as well as the New York Central is exempt within the State of New York. The Michigan Central has 700 miles of road in the State of Michigan over which the interstate act has virtually no control. The Canadian lines stretch long distances over sparsely settled sections and through comparatively poor communities, and their local traffic amounts to a small item.

Senator HARRIS. Have you noticed the reports of the Canadian roads with respect to what proportion of their traffic is local and what proportion is through traffic?

Mr. RAYMOND. I have not.

CANADIAN ROADS CONTROLLED BY THE LAW.

On all interstate business the Canadian roads are just as thoroughly controlled by the interstate commerce act as are our American lines. The first section of the interstate commerce act was drawn, as Senator

Cullom knows, with a great deal of care, after consultation with eminent lawyers in the city of New York, so as to govern the Canadian portion of our interstate traffic, and the law is so worded that there is no escape from liability under the act for the Canadian roads.

The CHAIRMAN. On business touching the United States?

Mr. RAYMOND. On any interstate traffic. Further than that, the ruling of the Interstate Commerce Commission in the Buffalo coal case shows a determination on the part of the Commission to construe that law strictly against the Canadian lines.

The argument has been frequently submitted before this committee that it is all right for the Canadian lines to compete with the American lines, and the American lines are not afraid of the competition of the Canadian roads provided the Canadian roads are brought under the same regulation. That is a very plausible statement, and every one would agree to it; but I have yet to learn of the first witness who has pointed out wherein the Canadian lines are not regulated by the law the same as the American lines. I do not think any witness has yet done that.

I think the first section of the law covers every possible case. Of course the Canadian lines are being watched day and night, you may say, by their American competitors to discover any infraction or violation of the interstate commerce act, more closely watched than any other system of railroads, no doubt, and yet not a single charge of willful violation of the interstate commerce act has yet been substantiated before the Interstate Commerce Commission.

The railroad company which is most nearly affected by the competition of the Grand Trunk, the Michigan Central Railroad Company, was the first railroad company caught in a willful violation of the act.

The CHAIRMAN. Which road was that?

Mr. RAYMOND. The Michigan Central, and that was in the way of underbilling a quantity of freight on their lines—the first road caught in a willful violation of the act was the Michigan Central.

Only a few weeks ago five of the leading officers of this same corporation, the Michigan Central, were indicted by the United States grand jury in Chicago for willful violation of the interstate commerce act.

The CHAIRMAN. What has become of those cases, do you know?

Mr. RAYMOND. The Chicago cases have not yet been tried.

The CHAIRMAN. Are they still pending?

Mr. RAYMOND. Yes, sir; the general freight agent, the assistant general freight agent, and three subordinate freight officers of the Michigan Central in the city of Chicago have been indicted by the United States grand jury for willful violation of the law. This is the first instance in this country of an indictment by a United States court for a willful violation of the act, and that violation by this road which complains most bitterly of the unfair competition of its Canadian competitors. I think that fact is significant.

OPPORTUNITIES FOR VIOLATING THE LAW.

The only charge that is made against the Canadian lines is that they have opportunity for violating the law by way of rebates and all that sort of thing. Now, the American lines have the same opportunity if they choose to violate the law as the Canadian roads, and I think, if this committee will recall Mr. John Newell's testimony given before the committee in New York, he stated that it was an easy thing for railroads to pay rebates—an easy thing for any railroad to pay rebates—without its appearing on their books or in their vouchers.

So far as opportunity is concerned it seems to me that the American lines and the Canadian lines are alike, and the mere charge that the Canadian roads do these wrongful things because they have the opportunity should have no weight with this committee in considering this great question of the importance of the Canadian lines to American business interests.

Senator HARRIS. The opportunity being common to all railroads?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Provided they are not caught.

Mr. RAYMOND. Yes, sir. And further, it seems to me, that the Canadian roads are in a more dangerous position and less likely to violate intentionally the interstate commerce act than the American roads, because I should be in favor, and I think every American citizen would, that if they willfully, intentionally, and defiantly disobeyed the law that they should be cut off, and I think they are conscious that they would be the loser. So that the restraint upon Canadian lines is very much greater than upon the American lines, and the Canadian lines are less likely to violate the law, and so far it has not been shown that they have willfully violated it.

ACCESSIBILITY OF RECORDS OF CANADIAN ROADS.

Further than that, all the books and papers of the Canadian roads can be brought before the Interstate Commerce Commission from the headquarters of the roads in Montreal, or any other place, just as well as the books and papers of the Michigan Central can be obtained from the office of that company in Detroit. If, on being summoned to produce such books and papers and have any case investigated, the Canadian roads should refuse, I think the consequences which they could foresee would come upon them would be such that they would not dare to refuse; at least, they never have. That being the case, these vague charges of what the Canadian roads might do, it seems to me, should have no weight on this question.

REGULATION OF CANADIAN INTERNAL TRAFFIC.

I do not see how Congress can legislate for the regulation of the internal traffic of Canada. They can not for any American State, and of course it is absurd to suppose that the Congress of the United States can regulate any of the internal commerce of Canada.

Besides, Canada has her own railroad acts, adopted in 1888, by which their local traders are protected very much as are our own by our Interstate Commerce Commission. They have there a railway committee.

Section 8 of the railway act of 1888 provides:

> The railway committee of the privy council shall consist of the minister of railways and canals, who shall be chairman thereof, of the minister of justice, and of two or more of the other members of the Queen's privy council for Canada, to be from time to time appointed by the governor in council, three of whom shall form a quorum; and such committee shall have the powers and perform the duties assigned it by this act.

Senator HARRIS. Is the act from which you have just read a Canadian act?

Mr. RAYMOND. Yes, sir.

Now, without referring to the sections, I would say, in general, those powers, including the authority to consider all questions of discrimination on the part of any railroad of Canada against any citizen, and the rulings of this railway committee as to what is just or unjust, and

whether or not there is a discrimination, are given the force of an order of the court, and the wrongs to which Canadians may be subjected by their railways can be controlled by this railway committee just exactly as our own railroads are controlled by the Interstate Commerce Commission.

PROVISIONS OF RAILWAY ACT OF CANADA.

The CHAIRMAN. Are there any general provisions in that statute, Mr. Raymond, against unreasonable charges?

Mr. RAYMOND. All those things are provided for.

The CHAIRMAN. Are they provided for substantially as in our interstate commerce act?

Mr. RAYMOND. Yes, sir; substantially. They are provided for in this act from which I read.

Senator HARRIS. Are they prohibited?

Mr. RAYMOND. Yes, sir; they are all prohibited. I will refer to them so that we will be sure about it.

Section 11 reads as follows:

SEC. 11. The railway committee shall have power to inquire into, hear, and determine any application, complaint, or dispute respecting—

Various things, among which are—

unjust preference, discrimination, or extortion.

The CHAIRMAN. Is there any positive prohibition of those things by the statutes?

Mr. RAYMOND. Yes, sir; I will read them.

Senator HARRIS. I would suggest, as a means of saving time, that Mr. Raymond furnish the statutes to the stenographer and allow them to go in as part of his remarks.

Mr. RAYMOND. I will do so.

The statutes are as follows:

SEC. 223. Subject to the provisions and restrictions in this and in the special act contained, the company may, by by-laws, or the directors, if thereunto authorized by the by-laws, may, from time to time, fix and regulate the tolls to be demanded and taken for all passengers and goods transported upon the railway, or any steam-vessels belonging to the company.

SEC. 224. Such tolls may be fixed either for the whole or any particular portions of the railway; but all such tolls shall always, under the same circumstances, be charged equally to all persons, and at the same rate, whether per ton, per mile, or otherwise, in respect of all passengers and goods and railway carriages of the same description, and conveyed or propelled by a like railway carriage or engine, passing entirely over the same portion of the line of railway: and no reduction or advance in any such tolls shall be made, either directly or indirectly, in favor or against any particular company or person traveling upon or using the railway.

SEC. 230. The company shall from time to time cause to be printed and posted up in its offices and any other place where the tolls are to be collected, in some conspicuous position, a printed board or paper exhibiting all the rates of tolls payable, and particularizing the price or sum of money to be charged or taken for the carriage of any matter or thing.

SEC. 232. No company in fixing any toll or rate shall, under like conditions and circumstances, make any unjust or partial discrimination between different localities, but no discrimination between localities, which by reason of competition by water or railway, it is necessary to make to secure traffic shall be deemed to be unjust or partial.

SEC. 237. No company shall make or give any secret special toll, rate, rebate, drawback, or concession to any person, and every company shall, on the demand of any person, make known to him any special rate, rebate, drawback, or concession given to any one.

SEC. 240. Every company shall, according to its power, afford all reasonable facilities to any other railway company for the receiving and forwarding and delivery of traffic upon and over the several railways belonging to or worked by such com-

panies respectively, and for the return of carriages, trucks, and other vehicles, and no such company shall make or give any undue or unreasonable preference or advantage to or in favor of any particular person or company, or any particular description of traffic in any respect whatsoever, nor shall any such company subject any particular person or company, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever, and every company which has or works a railway which forms part of a continuous line of railway or which intersects any other railway, or which has any terminus, station, or wharf near to any terminus, station, or wharf of any other railway shall afford all due and reasonable facilities for receiving and forwarding by its railway all traffic arriving by such other railway without any unreasonable delay and without any such preference or advantage, or prejudice or disadvantage as aforesaid, and so that no obstruction is offered to the public desirous of using such railway as a continuous line of communication, and so that all reasonable accommodation by means of the railways of the several companies is at all times afforded to the public in that behalf, and any agreement made between any two or more companies contrary to this section shall be unlawful, and null and void.

Mr. RAYMOND. All the internal affairs of the Canadian railroads are substantially governed as are our own, and if the Canadian people were being imposed upon in their local rates for the privilege of permitting the Canadian roads to do American business at a loss, I think the railway committee of Canada would have plenty of complaints before them, and until that is shown, the vague charge that they are so doing has no weight.

STATISTICS OF RECEIPTS AND OPERATING EXPENSES.

It is claimed that the Canadian roads work much cheaper, can haul freight cheaper than our American roads, and here are a few statistics bearing on that question, showing the percentage of the working expenses to the total receipts of the Canadian lines, and showing the number of train miles their locomotives haul their cars as compared with the number of train miles that locomotives haul cars on the American lines, which I can give you in only a moment.

These are what are called Johnson's Graphic Statistics of Canada, in which all the statistics are given in diagrams in this manner. [Exhibiting.]

Senator HARRIS. Is Mr. Johnson a Canadian official?

The CHAIRMAN. I suppose the book is gotten up by private enterprise?

Mr. RAYMOND. Mr. George Johnson, of Ottawa, is the compiler. It covers the entire business of Canada, all classes of business, the railroads, of course, being but a small portion of it.

The number of train miles per locomotive in Canada is 20,094; in the United States, 22,583.

Senator REAGAN. Do those figures apply to the roads in the United States operated by Canadian companies?

Mr. RAYMOND. No, sir; these apply to roads operated in Canada.

Senator HARRIS. Do they refer to all the Canadian roads?

Mr. RAYMOND. Yes, sir. The average number of train miles run by each locomotive in Canada is 20,094; the average number of train miles run by a locomotive in the United States is 22,583.

Senator HARRIS. This is the mileage of each locomotive?

Mr. RAYMOND. Yes, sir; showing that our locomotives do a great deal more work than those of the Canadian roads.

Senator HISCOCK. In what period do the locomotives run that number of miles?

Mr. RAYMOND. These figures are for a year. Now, the earnings for a locomotive in Canada are $31,150; the earnings for a locomotive in the United States are $41,480, $10,000 more.

Senator HISCOCK. How are those earnings made up? I am curious to know what elements are considered in making up the earnings of a locomotive, it being a special machine by itself.

Mr. RAYMOND. I suppose the number of cars hauled by a locomotive and the total earnings on all cars hauled are taken and divided by the number of locomotives used to give the earnings per locomotive.

Senator REAGAN. The figures of earnings and miles run, etc., which you have given are for what year?

Mr. RAYMOND. This is the report for 1888; it goes down to 1888; includes the year 1887.

The CHAIRMAN. You mean it goes down to 1889, do you not?

Mr. RAYMOND. No, sir; down to 1888, for the year 1887. Now, the percentages of gross receipts expended in working the railways in the United States and those in Canada for the year 1884—all countries are given here, Germany, England, Russia, etc., but I suppose you do not care anything about them.

The CHAIRMAN. It is not worth while to spread it out, I guess.

Mr. RAYMOND. In the United States 60.78 per cent. of the gross receipts of railroads was expended in working the roads. In Canada the same year 76.58 per cent. of the gross receipts was expended in working the roads.

INCREASE OF BUSINESS ON CANADIAN ROADS.

Senator REAGAN. Do you understand that there has been a very large increase in the business of the Grand Trunk and other Canadian railroads in the last eighteen months that would modify those figures very much?

Mr. RAYMOND. No, sir. When the committee was in session in New York it was stated that the Grand Trunk was taking the largest proportion, larger than it was entitled to, of the tonnage of the Central Traffic Association—some 39 per cent.—but that very day the report for that week showed their proportion had dropped to about 19 or 20 per cent.

Senator HARRIS. Do you mean their actual business?

Mr. RAYMOND. Their percentage of the whole traffic out of Chicago.

Senator HARRIS. The actual tonnage carried by the Grand Trunk amounted to 19 or 20 per cent.?

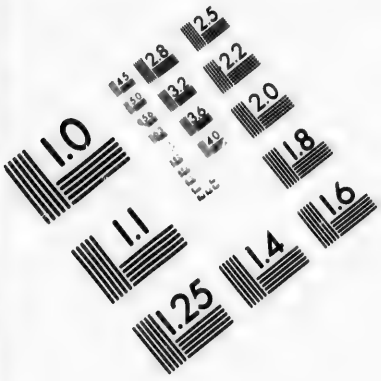
Mr. RAYMOND. Yes, sir; as against 39 per cent. for the previous week. The business fluctuates; sometimes the Vanderbilts carry the largest proportion, sometimes the Pennsylvania carries the largest; but the average has not changed very much. The Grand Trunk averages from 18 to 20 per cent.

Senator HARRIS. Have you an approximate estimate of what the percentage of tonnage carried on the Grand Trunk was for the last six months?

Mr. RAYMOND. No, sir; I have not. It can be obtained from the Central Traffic Association. Mr. Blanchard will furnish almost any figures bearing on those subjects for which you may call, and if you were to ask him for those figures he would carry them back for several years and tell you exactly what they were.

SUBSIDIES TO THE CANADIAN PACIFIC.

Now, Mr. Nimmo has been claiming—and it has been claimed by various others—that the Canadian Government has given the Canadian Pacific something like $215,000,000 in subsidies. It may be in-



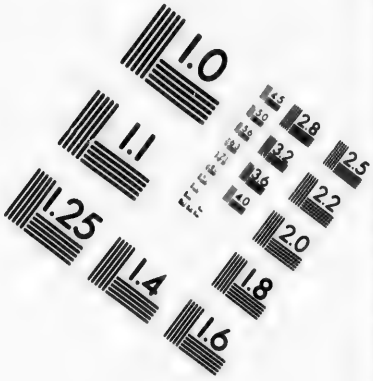
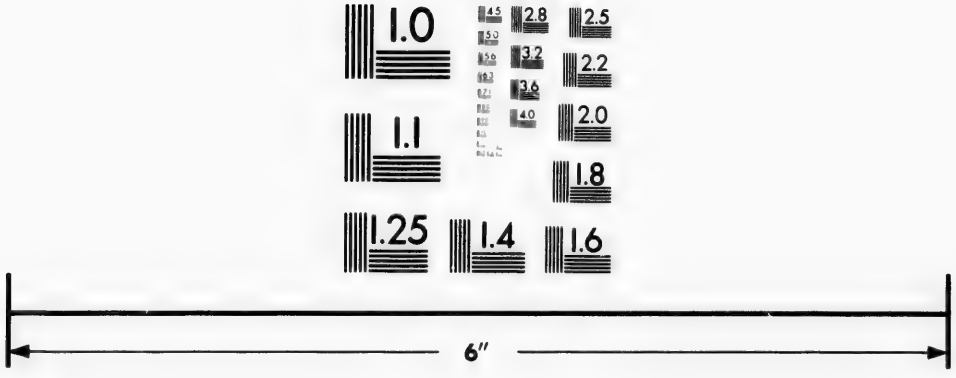
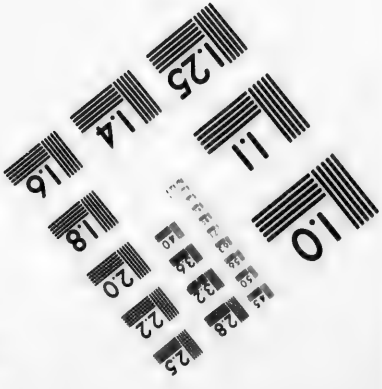


IMAGE EVALUATION TEST TARGET (MT-3)





Photographic Sciences Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

2.8
2.5
3.2
3.6
2.2
2.0
1.8
1.1
1.0

teresting to look at the federal debt of Canada, in view of those figures.

The federal gross debt of Canada for twenty years is shown in this pamphlet, and I can give any particular year desired. In 1881 the construction of the Canadian Pacific road was begun. The net debt of Canada at that time was $155,395,780; in 1887, after the Canadian Pacific was completed, it was $227,313,911.

Senator REAGAN. Does that embrace credits of the Dominion Government to these railroads of which Mr. Nimmo spoke?

Mr. RAYMOND. Yes, sir. Under the title of "1887" are these words:

Ten million one hundred and eighty-nine thousand five hundred and twenty-one dollars added to debt, being purchase money of 6,793,014 acres from the Canadian Pacific.

That is included here. Included in it also are the provincial debts which were assumed during that time.

Senator HISCOCK. Did Mr. Nimmo give his statement in detail?

Mr. RAYMOND. I have not seen it in detail.

Senator HISCOCK. I think he did.

The CHAIRMAN. The statement will appear in his paper, I suppose.

Senator HISCOCK. It would be more satisfactory to question the items if he gives them in detail.

Mr. RAYMOND. If his figures are correct, then Canada could not have owed a cent in 1881.

Senator HISCOCK. If he gives the detail of each loan or each credit or each guarantee it would be more satisfactory to show that the statement, in some of its details, is untrue.

Mr. RAYMOND. I think it could easily be shown to be untrue.

Senator HISCOCK. His statement has been published, I believe. It is in detail and it never has been challenged.

Mr. RAYMOND. I think Mr. Nimmo's figures have never been challenged, but I challenge them myself, decidedly.

Senator HISCOCK. Mr. Hickson was before the committee in New York and saw the statement, and there did not seem to be any dispute about the figures.

The CHAIRMAN. Mr. Van Horne questioned some of the items in the statement. His testimony will appear in full.

Mr. RAYMOND. Mr. Van Horne claims that the total Government aid received, including the guarantee of the interest on the $15,000,000 to pay for relinquishing the monopoly clause in Manitoba, including the Government portion of the Canadian Pacific road, which cost the Government $35,000,000, and which Mr. Van Horne estimated not to be worth, and could be duplicated for, $12,000,000—he claims that the total Government aid received is about ninety millions.

The CHAIRMAN. My impression is Mr. Van Horne admitted that the Canadian Pacific received aid from the Government to the amount of $110,000,000 altogether. I am not very certain about that, however.

Mr. RAYMOND. That is figuring the land grant on the basis of $1.50 an acre. If you figure it higher it would be more. The higher you figure it so much greater you would make it. If these figures are correct the aid received by the Canadian Pacific from the Dominion Government from the time the road was begun until it was finished was only about $90,000,000. If they are correct, of course Mr. Nimmo's figures are out of the way a good deal.

Senator HARRIS. Do you not lose sight of the fact that the Canadian Government may have increased or diminished its debt largely, wholly

independent of any subsidy given to the Canadian Pacific or any other internal improvement enterprise?

Mr. RAYMOND. Yes, sir; they may have, but I think it has not been claimed that anything has been done to reduce the federal debt of Canada since it began to subsidize the Canadian Pacific. The impression seems to be that the Canadian Government is running wildly into debt for this railroad corporation.

Senator HARRIS. It does not seem to me that it is absolutely conclusive as to the amount of subsidy given by the Canadian Government to the Canadian Pacific whether the federal debt has increased or decreased.

Mr. RAYMOND. That is true, only it shows that the federal debt of Canada, if these figures are correct, does not bear out the claim which has been made as to the enormous amount of money which has been given to this railroad. Here is just one other set of statistics bearing on this question, which I will give.

VALUE OF CANADIAN SECURITIES.

If Canada were running wildly into debt and getting into trouble the price of her securities in London would reflect such a disastrous condition of affairs. But in 1867 Canada 5 per cent's were worth 86 in London; in 1888 they were worth 118. Her 4 per cent's were worth 92 in 1875, and 116 in 1888. Her 3½ per cent's were worth 93 in 1885 and 100 in 1888.

Senator REAGAN. In which class of securities are the bonds of the Canadian Pacific found?

Mr. RAYMOND. That I do not know. These are the securities issued by the Canadian Government from time to time bearing these different rates of interest. The Canadian Government has guaranteed the interest of some bonds of the Canadian Pacific, but I do not understand that the Canadian Government has issued its own bonds for the purpose of giving the proceeds to the Canadian Pacific.

Senator REAGAN. Would they not be classed as Canadian securities?

Mr. RAYMOND. No, sir; they would not be classed as Canadian securities, but the figures I have quoted only show the condition of the Canadian securities in London. They go to show that in London they have full faith in Canadian bonds. They show that if the Canadian Government were plunging so recklessly into debt that its securities could not have advanced at this rate.

Senator REAGAN. The reason I asked the question was this: If the securities of that company have 6 per cent. interest guaranteed by the Canadian Government, would not that account in a large measure for the increased price of the securities?

Mr. RAYMOND. I do not understand that these securities are Canadian Pacific securities, but are Canadian Government securities, the same as our United States bonds.

Senator REAGAN. What securities are referred to?

Mr. RAYMOND. Here is the loan of 1869, at 4 and 5 per cent.; the loan of 1873, the loan of 1874, the loan of 1875, the loan of 1876, the loan of 1878, and the loan of 1879. Now, up to that time the Canadian Pacific road had not been begun.

The CHAIRMAN. There is nothing in the table you have which shows anything in relation to Canadian railroad bonds at all.

Mr. RAYMOND. No, sir; but these are the Federal bonds of the Dominion of Canada, the same as our United States bonds.

The CHAIRMAN. What you are endeavoring to show is that Canadian bonds go up instead of down?

Mr. RAYMOND. Yes, sir; that the credit of Canada is high.

Senator REAGAN. Would a liability of Canada be stated without showing the credit that she gave the Canadian Pacific Railway?

Mr. RAYMOND. No, sir; but any purchaser of Canadian Government bonds in London would consider the general liabilities of the Government in making his investment, and if he is willing to pay 116 or 118 for Canadian Government bonds he is not worrying very much about the condition of the liabilities of the Canadian Government. That is all it shows.

SUBSIDIES TO AMERICAN ROADS.

Now, on the estimate I made a few months ago that the Canadian Pacific received from the Canadian Government about $90,000,000, I think it is fair to make a comparison of the aid the Canadian Pacific has received with the aid given the Union Pacific by our own country. If the sum of $90,000,000 is about the right figure it is less than one-half, according to Mr. Patterson, of the Pacific Railway Commission, of the amount of money fraudulently taken from the Government by four men alone in building the Union Pacific Railway. It is less money than the fictitious capital sworn to by four men, the affidavits of whom are on file in the city of Washington to-day. Certain men, and one of them a United States Senator, make affidavit as to the amount of money capital stock paid in for the Union Pacific Railway. They make it $97,000,000, while Mr. Patterson, in his investigation, claims that the amount actually paid in was $1,750,000. This shows that these affidavits were false to the extent of more money than the entire aid received from the Canadian Government by the Canadian Pacific Railway. Mr. Patterson shows in his report that the excess freight charged the patrons of the Union Pacific Railway Company every year, and still being charged, is over $8,000,000, due to the dishonest methods by which that road was built.

Senator HISCOCK. Why do you take the minority report? Why do you not take the majority report, if you choose to attack this railway?

Mr. RAYMOND. I take Mr. Patterson's report and I rely upon his statements; if they are untrue, of course they have no weight.

Senator HISCOCK. I do not wish to go into an examination in reference to these matters, but I submit to you whether it would not be more just to take the majority report instead of the minority report on those questions.

Mr. RAYMOND. Is there any dispute about those figures?

Senator HISCOCK. I do not want to take the time to go into this matter, because I think it foreign to this investigation. But I only call your attention to the fact that a majority and a minority report were made, and you base your judgment on the minority report.

Mr. RAYMOND. I understood that the majority report referred to a certain course of procedure being desirable and the minority reported that another course of procedure was desirable, and that practically the only difference was with respect to the course to be pursued.

Senator HISCOCK. Have you read the majority report?

Mr. RAYMOND. Not in detail. However, if these statements are not true, Mr. Patterson has stated untruths. If his statements are true, it seems to me that it comes with ill grace from the Union Pacific Railroad Company to demand that the competition of the Canadian Pacific,

which has conferred more or less benefit upon the American people. should be cut off through the action of the United States Government,

The CHAIRMAN. Mr. Adams did not make any admission of that kind. On the contrary, he intimated that he did not think the Canadian roads were doing his lines any substantial damage.

Mr. RAYMOND. Did not Mr. Mellen?

The CHAIRMAN. Mr. Mellen talked somewhat differently. He is the traffic manager.

Mr. RAYMOND. Yes, sir; and vice-president. I think Mr. Adams's statement in New York was exceedingly fair, and I think Mr. Mellen's testimony was exceedingly unfair. These facts being open to the public for examination through this report made by the Pacific Railway Commission, I think it is also right that these facts should be brought out and put on record in this investigation, because comparatively few people of the whole number can wade through the report of the Pacific Railway Commission.

It is the blackest crime, according to Mr. Patterson, that I ever heard of. The Northern Pacific received 46,000,000 acres of land for its subsidy. The Northern Pacific was a cheaper road to build and a much less expensive road in every respect than the Canadian Pacific and the other Pacific railroads. We all know what help they have received. I only refer to that on the ground that the mere acceptance or receiving of Government aid ought not to be a factor in considering the advisability of cutting off the Canadian roads from American traffic.

Senator REAGAN. There was a gentleman before us the other day in Boston who spoke of the much higher grades on the Northern Pacific than on the Canadian Pacific. Have you information that shows you that it cost less to construct the Northern Pacific than it did to construct the Canadian Pacific, or *vice versa*?

Mr. RAYMOND. I can not give figures. I only know what Mr. Van Horne claims, and I can not go any further than his authority for it, that it cost more to build the 200 miles of the Canadian Pacific road north of Lake Superior than to build any 800 miles on the Northern Pacific. Mr. Van Horne claims that.

The CHAIRMAN. The road was built before he was connected with it. I believe he has only been president a brief time, and I think he has not been connected with the road very long.

Mr. RAYMOND. I could not answer as to those facts.

THE TRANSCONTINENTAL TRAFFIC.

The American transcontinental roads are complaining of the diversion of American traffic by the Canadian Pacific Railroad Company. The figures show, and I believe this committee has them in its possession, that of the total transcontinental tonnage from San Francisco, the Canadian Pacific carried from San Francisco, via Vancouver and around into American ports again, only 1¼ per cent. in the year ending January 1, 1889, and that the earnings of the Canadian Pacific were only 1⅕ per cent. of the total earnings of the transcontinental lines. That is the tremendous diversion of business that is breaking up the American transcontinental lines.

As to the business that is going over the Canadian Pacific from Asia, I do not see, if the Canadian lines are cut off from any bonding system in transit, how that is going to affect it. All that business pays duty at the American border anyway. You could not prevent the Canadian Pacific from delivering that Asiatic merchandise at Newport, Vt., for

instance, to the Boston and Maine Railroad, or to whatever road it connects with at that point, short of putting an embargo on doing business with Canada. They have a right to deliver goods here if they conform to our regulations. Neither could you prevent the American lines from delivering to their Canadian connections at Newport our domestic manufactures in Canada bound for China and Japan. So it seems to me that the diversion of the Asiatic trade over the Canadian Pacific has no effect whatever on this transit in bond question, and if the Canadian roads take from the American transcontinental lines every dollar of their business it would be no reason for cutting them off from the transit in bond system. You could not prevent them from doing that business anyway.

The CHAIRMAN. Not unless we prohibited the goods from coming into the country at all.

Mr. RAYMOND. Yes; unless you put an embargo on the Canadian business, and that means war. It seems to me that the strongest argument made against the claim that the Canadian Pacific is able to compete by reason of the great subsidies it has received is in this fact, that there are several other transcontinental lines now projected. What is known as the Jim Hill system, and the St. Paul, Minneapolis and Manitoba system, are rapidly pushing their lines to the Pacific coast. Mr. Hill suggested it in New York, and I remember the chairman asked him which point on the Pacific coast he was going to touch, and he declined to name the point. The Illinois Central is considering the advisability of, and it is reported has partly arranged to push its line through to the Pacific.

The CHAIRMAN. From what point?

Mr. RAYMOND. I can not tell you from what point, but from their extreme western point, I take it.

The CHAIRMAN. Sioux City is where they stop now, I believe.

Mr. RAYMOND. Yes, sir, I believe that is the place.

THE NORTHERN PACIFIC'S CANADIAN LINE.

The Northern Pacific itself, one of our American transcontinental lines, has just purchased the Northwestern Central of Canada, which it proposes to extend to Skeena Bay, on the Pacific, up through the Saskatchewan Valley, striking the Pacific at Skeena Bay, about 50 miles below the Alaska border.

The CHAIRMAN. Which is about how far from their present terminus?

Mr. RAYMOND. I do not know; 600 or 700 miles, is it not?

The CHAIRMAN. I really do not know.

Mr. RAYMOND. Skeena Bay is about 50 miles below the Alaska border. There are now two lines competing for this transcontinental business, and the competition of this business will be entirely destroyed if the Canadian Pacific is cut off. It seems to me the question of subsidy does not enter into the matter.

The CHAIRMAN. Our roads are running into Canada as an offset to the Canadian roads running into our country.

Mr. RAYMOND. Yes. It seems to me the subsidy question disappears in the face of those matters.

Senator REAGAN. You spoke of a road which was to run from the Northern Pacific across the border to a point north of the Canadian Pacific. I wish you would explain more fully as to that road.

Mr. RAYMOND. The Northern Pacific has recently purchased the Northwestern Central Railroad of Canada, the present terminus of

which is about 250 or 300 miles west of Winnipeg, I think, and they propose to extend that line through the Saskatchewan Valley northwesterly to the Pacific coast, terminating at Skeena Bay.

Senator REAGAN. We have had statements given before us to the effect that the Canadian Government had forbidden the building of any road within 60 miles of the Canadian Pacific Railroad.

Mr. RAYMOND. This route is farther than 60 miles from the Canadian Pacific. It is a Canadian corporation, and the line was purchased by this American corporation, which will operate it undoubtedly under the Canadian charter.

The CHAIRMAN. There was a prohibition or embargo against building a road on either side within 60 miles of the Canadian Pacific Road, but they yield as to that, as I understand it, and will allow this proposed road to run into that country.

Senator REAGAN. They gave way with respect to Winnipeg. That was understood to be a special thing, and to open up and develop Winnipeg the Dominion gave to the Canadian Pacific a large amount of money.

Senator HARRIS. I understand Mr. Raymond to say that this new road of which we are now speaking is more than 60 miles from the line of the Canadian Pacific.

Senator REAGAN. From the Northern Pacific to a point north of the Canadian Pacific they would have to run across the Canadian Pacific road.

Senator HARRIS. Certainly.

Mr. RAYMOND. I have here a map of the Canadian Pacific road, and I think I could show you about the location. [Exhibiting.]

MAIL SUBSIDIES COMPARED.

In regard to the mail subsidies that are granted to the Canadian Pacific, and I suppose to the Grand Trunk, for all I know, the American Government pays the American railroads $20,000,000 a year to carry the mails. I suppose the Canadian Government pays its roads for carrying the mails in the same way, and a mail subsidy to a Canadian road is no more a menace to American transportation interests than is a mail subsidy to American roads a menace to Canadian transportation. I think the mail subsidy question has small bearing on the main question of cutting off the Canadian roads.

I do not know whether this committee cares to hear any discussion of the long and short haul clause, or the question of pooling, that has been brought into these investigations.

RAILROAD FACILITIES OF DETROIT.

The CHAIRMAN. That is hardly within our authority. You may give the committee the exact number and names of roads which accommodate your people here—American or Canadian roads. Give us a list of the lines that come into Detroit, or are in any way used by your people.

Mr. RAYMOND. Beginning with the American roads on the south, we have a branch of the Lake Shore and Michigan Southern from Toledo.

The CHAIRMAN. What is the length of it?

Mr. RAYMOND. About 60 or 65 miles.

The CHAIRMAN. And that is entirely on American soil?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. What other road have you on American soil?

Mr. RAYMOND. We have the Wabash Railway, which runs from here to Kansas City, under the new reorganization of the Wabash Company.

The CHAIRMAN. If you want to go east from Detroit where does that road take you?

Mr. RAYMOND. It does not go east from here.

The CHAIRMAN. Do you not have a Wabash connection from here to Toledo?

Mr. RAYMOND. There is a roundabout connection, but it is seldom used.

The CHAIRMAN. What other connections entirely on American soil have you if you want to go east?

Mr. RAYMOND. None but the Vanderbilt roads—the Lake Shore and the Michigan Central.

The CHAIRMAN. And that is all?

Mr. RAYMOND. Yes, sir; that is all. We could get to Toledo by this roundabout Wabash route, but the Wabash, when it gets there, would connect with the Vanderbilt lines.

The CHAIRMAN. Have you any line that you can use to good advantage in going east except this short road from here to Toledo, where you strike the Lake Shore road?

Mr. RAYMOND. No, sir; we have no outlet for business except the Canadian lines aside from these two I have named.

The CHAIRMAN. Do you call the Michigan Central a Canadian line?

Mr. RAYMOND. Yes, sir; we do; that is, the southern division of it.

The CHAIRMAN. So that the eastern outlet for your people is by way of Canada?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. You strike the New York Central at Buffalo?

Mr. RAYMOND. Yes, sir; and at the bridge we strike the New York Central, the Delaware, Lackawanna and Western, the Lehigh Valley, and the West Shore.

The CHAIRMAN. What is the distance from here to the Canadian border by the Michigan Central?

Mr. RAYMOND. About 229 miles.

The CHAIRMAN. How nearly does that one road come to being sufficient to accommodate the commercial interests of this community?

Mr. RAYMOND. Do you refer to the Michigan Central?

The CHAIRMAN. Yes.

Mr. RAYMOND. The Michigan Central road carries across the river here back and forth about twice as much freight as does the Grand Trunk.

The CHAIRMAN. You have a Grand Trunk connection here?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Where does it strike the Grand Trunk proper?

Mr. RAYMOND. There are two ways out of Detroit to the Grand Trunk; one is by way of Port Huron, and the other is directly east from here, crossing the river on the ferry and going directly to the Niagara frontier.

The CHAIRMAN. And not striking the Grand Trunk proper?

Mr. RAYMOND. And not striking the main line. The main line runs from Toronto to Port Huron. This division I speak of runs from Windsor to Detroit.

The CHAIRMAN. So you use that as a Canadian road?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. And then you can run up to Port Huron and strike the main line.

Mr. RAYMOND. Yes, sir; and go east to Buffalo over that line.

The CHAIRMAN. Have you any other eastern outlet by rail?

Mr. RAYMOND. The Canada Southern division of the Michigan Central. We have no outlets east except across Canadian territory.

The CHAIRMAN. And this little road running to Toledo?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. So you would be badly bottled up if the Canadian roads were cut off?

Mr. RAYMOND. Yes, sir; I think it would practically destroy the city of Detroit for business purposes. Detroit would make a good summer resort.

The CHAIRMAN. On the assumption that you have sufficient facilities on American soil for transportation, do you think the Canadian roads have the effect of enabling Detroit to secure very much cheaper transportation rates than otherwise would be the case?

Mr. RAYMOND. The effect upon Detroit of cutting off the Canadian roads, even if the facilities, so far as trackage and motive-power, etc., are concerned were equal to the demands, would be just about the same, because the Michigan Central Railroad Company, in case these Canadian lines were cut off, would build a branch from its main line perhaps 50 or 60 miles at some desirable point west of Detroit directly across to Toledo, which would place Detroit at the end of two plug lines of road and entirely out of the main channel of business. The main line of the Michigan Central would run down to a point as one plug road and the Grand Trunk would be running as another plug road. There would be no business for the railroads to haul to Detroit except at a local rate from Toledo, or at a rate in addition to a rate that they would receive in hauling business to Toledo. It would be the same on business going into and out of Detroit from and to the West. Putting even a small arbitrary on the business out of Detroit would destroy our jobbing business and our grain business in so far as they depend on railroads, and Detroit would cease to be a distributing point for merchandise. That is undoubtedly so.

The CHAIRMAN. Do your people here know anything about an arrangement by which the Canadian roads get a differential?

Mr. RAYMOND. I do not think the Canadian roads get a differential on Detroit business; they do on business I believe from Chicago. I do not know positively, however, whether they do or not. I think all the rates are uniform.

The CHAIRMAN. Is there any understanding or combination by which the same rates are given to you business gentlemen here on all the roads going east?

Mr. RAYMOND. They give the rates that are designated on their published tariffs.

The CHAIRMAN. They are all alike?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. So that the American roads are charging just the same as the Canadian roads, and *vice versa*.

Mr. RAYMOND. Yes, sir; I think the experience of merchants here is much as my experience was while I was engaged in the shipping trade largely for a good many years, namely, that the Grand Trunk was the most inclined to favor the local interests.

The CHAIRMAN. What do you mean by "local interests?" The local interests of Detroit?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. What percentage of the commerce here is carried by rail and what percentage by water?

Mr. RAYMOND. The percentage carried by water is insignificant, except, of course, during certain periods of the year. In the fall there are large shipments of wheat by water, but the merchandise is carried nearly altogether by rail.

The CHAIRMAN. For the local trade?

Mr. RAYMOND. Yes, sir; and for the distributing trade. There are no regular lake lines running between Detroit and Buffalo carrying traffic to amount to anything.

The CHAIRMAN. Fast shipments come through Detroit to the east, do they not?

Mr. RAYMOND. Yes, sir; to the east and west both.

The CHAIRMAN. I suppose large shipments of grain and everything else?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Does the Michigan Central's traffic both east and west cross the border at this point—I mean by water?

Mr. RAYMOND. O, yes; the entire upper-lake traffic for Buffalo or for St. Lawrence ports passes our city front.

The CHAIRMAN. How near do the shipments from Duluth by water pass this city?

Mr. RAYMOND. All upper-lake shipments pass this point.

The CHAIRMAN. So that it must be a very great thoroughfare by water of shipments from farther west?

Mr. RAYMOND. Yes, sir. A great deal more traffic, several times more, passes here than passes through the Suez Canal.

The CHAIRMAN. Do you suppose, if the same restrictions could by any means—I am not saying that it can be done by act of Congress at all, but suppose by any arrangement between the two governments the same regulations should prevail in both countries as now prevail in this country, do you suppose it would injure your commerce any?

Mr. RAYMOND. I can not see that it would. I think the same regulations exist in both countries to-day practically.

The CHAIRMAN. You think that the regulations existing in this country to-day and those existing in Canada are nearly the same?

Mr. RAYMOND. Yes, sir. I have not seen any one who has shown wherein they are different.

THE SHORT-HAUL QUESTION.

The CHAIRMAN. It is alleged some times that the American railroads are restricted by virtue of the long and short haul clause, etc., from recouping on local traffic, and that in that respect the Canadian roads, not being so restrained, can recoup and thereby get an advantage. Do you know whether anything of that kind is being done?

Mr. RAYMOND. I do not think there is, and in my earlier remarks gave my understanding of that. I think Mr. Hickson testified before your committee in New York that if the long-haul traffic were unprofitable they would not take it at all. The trouble about the long and short haul clause, it seems to me, is this: When the agitation for some regulation of the railways began, and Senator Reagan was formulating his first bill, it was on the basis that the railroad companies made no money on the long haul, but made all their profits on the local business, and recouped on the local business for the loss sustained on the long haul. That was a false statement by the railroads. That

was the statement the railroads always made when a local shipper came to them and said, "You are hauling 500 or 600 miles for 5 or 6 cents a hundred, but you want to charge me for only 200 miles 10 cents per hundred." The railroad invariably replied, when they were questioned about that, "That is where we make our money. We would not make any money if it were not for this local business. We are doing through business merely to keep our cars in motion."

That is the basis on which the law was enacted. The railroads told an untruth, and subsequent events have confirmed what I say, I think, that the long-haul rates, since the passage of the interstate-commerce act, have not been advanced, but the short-haul rates have all been lowered.

Senator HARRIS. Have the long-haul rates been reduced since the passage of the interstate-commerce act?

Mr. RAYMOND. They are about the average. Short-haul rates have all been reduced, or nearly so. The railroads are now beginning to acknowledge, and they so state in their cases before the Interstate Commerce Commission, that the profit is on the long haul, and that the expense of doing business diminishes per ton per mile with the distance.

The CHAIRMAN. That is a very clear proposition, too, I reckon?

Mr. RAYMOND. Yes, sir; it is.

The CHAIRMAN. So you think the long and short haul clause does not cut very much figure?

Mr. RAYMOND. No, sir.

THE SHUTTING OUT OF CANADIAN ROADS.

Senator HISCOCK. Do you understand that anybody wants to prohibit Canadian trunk lines doing business in this country?

Mr. RAYMOND. There can be but one interest that desires them cut off.

Senator HISCOCK. I am not asking you to speculate on it. You have made an argument here on the assumption that some one was trying to do that very thing. Have you any evidence of that fact?

Mr. RAYMOND. The only evidence that anybody desires the Canadian roads cut off, if anybody wants evidence, it seems to me, must come from the competing railroad interests in America.

Senator HISCOCK. Have you seen the evidence of any one who wanted to cut off the Canadian roads?

Mr. RAYMOND. Well, no American railroad manager has stated in terms that he wanted it done.

Senator HISCOCK. Has any one inferentially asked it?

Mr. RAYMOND. It seems to me that if it had not been inferentially asked this committee would not have been appointed to investigate whether it should be done.

Senator HISCOCK. You have not seen any published statement, or any statement on the part of any one, asking or suggesting it, have you? I say frankly I have not.

Mr. RAYMOND. I have not, in so many words.

Senator HISCOCK. But I would not even qualify it by saying "in so many words." Have you heard or seen any argument from which that deduction could be drawn? Have you heard of any argument on the part of any American trunk line asking to eliminate, or destroy, or prohibit competition by the Canadian railroads?

Mr. RAYMOND. I think it was pretty clearly demanded by Mr. Towne, of the Southern Pacific road, at San Francisco, and by Mr. Mellen, of the Union Pacific road.

Senator HISCOCK. I do not know about Mr. Towne, of San Francisco.

Mr. RAYMOND. I so understood Mr. Mellen and Mr. Bliss, who were before your committee in Boston. I think many of the railroad managers do not in terms ask it, but still are in favor of it.

Senator HISCOCK. I say frankly that I have not heard such an argument made on the part of Mr. Bliss, or anybody else, nor even heard it suggested. Have you heard anybody even suggest it?

Mr. RAYMOND. Mr. Nimmo, of course, is not a railroad man. General Wilson, of Delaware, started this agitation. He is not at present a railroad man, although he is an ex-railroad man, and is very intimate with railroad interests.

Senator HISCOCK. His theory in advancing this question was not with reference to the railroads at all, but with the idea of securing governmental assistance to build up Canada and procure its annexation. Have you ever seen any evidence on the part of the Vanderbilt system that they wanted the Canadian roads eliminated or cut off?

Mr. RAYMOND. I think the most bitter complaints made before this committee against Canadian competition interfering with the business of the American roads and destroying it, etc., have been made by the Michigan Central and the Lake Shore interests, which are Vanderbilt interests.

Senator HISCOCK. When were such complaints made?

Mr. RAYMOND. When the committee was in New York.

Senator HISCOCK. Did representatives of those roads make arguments in favor of destroying or prohibiting Canadian competition, or even suggest it?

Mr. RAYMOND. I think it was very clearly suggested. I can not recall the words, but it seems to me it was very clearly suggested, or else why the bitterness of the complaint? This committee is investigating the desirability of such legislation.

Senator HISCOCK. Do you not understand this, that the American trunk lines, in the arrangement between the roads, give to the Canadian trunk lines a differential rate on freight both ways, if they choose to adopt it?

Mr. RAYMOND. Yes, sir; and the Canadian roads give the American lines the same differential.

Senator HISCOCK. The Canadian trunk lines are allowed a differential, but on east-bound freight the Canadian trunk lines do not choose to adopt it; they maintain standard rates.

Mr. RAYMOND. I do not think a differential is allowed the Canadian roads on east-bound freight.

Senator HISCOCK. The evidence is that the Canadian roads can use it east-bound, if they choose. Governor Smith, of Vermont, said that was the understanding.

Mr. RAYMOND. If I were a railroad man, and my competitors said I might take freight a little less than they would take it, if I chose to, I think I would take it.

Senator HISCOCK. Governor Smith's argument was that so far as freight was concerned, the American trunk lines had all they could do at the present time; that they did not care, one way or the other, and that the Canadian road could carry freight at 5 cents per hundred less, if it chose to, but that it did not choose to.

Mr. RAYMOND. I have not read Governor Smith's testimony,

Senator HISCOCK. Now, your understanding, as I understood you to say to Senator Cullom, is, that you see no reason why the trunk lines in the United States and in Canada should not be put on the same basis before the law?

Mr. RAYMOND. Yes, sir; except so far as Congress can not control local traffic in Canada, any more than Congress can control local traffic in Michigan.

Senator HISCOCK. I am not talking about any exception If that could be done, you think it is right that it should be?

Mr. RAYMOND. Certainly.

Senator HISCOCK. Now, the Canadian lines say that they absolutely and literally obey the interstate commerce law, not only with reference to through freight, but also with reference to the long and short haul clause. The American trunk lines—and I have heard more complaint so far as American trunk lines are concerned, on account of a supposed rebate, or drawback, or something of that kind to the Canadian roads from the ocean transportation than I have heard of any abuse on the part of the Canadian lines under the long and short haul clause, but it is denied by Mr. Hickson that anything of that kind is being done. Now, then, you agree that they should be equal before the law.

Mr. RAYMOND. Yes, sir.

Senator HISCOCK. And if at the present time, in practice, they are equal before the law, and the Canadian and American lines are both under the provisions of the interstate commerce law, do you see any objection whatever, if other provisions could be incorporated in the law to insure the two systems being on an exact equality?

Mr. RAYMOND. No, sir.

Senator HISCOCK. You say you do not?

Mr. RAYMOND. No, sir. The most glaring instances of ocean drawbacks have been furnished by the Pennsylvania system.

Senator HISCOCK. I am not on that subject. I only ask you this question; whether if on both sides of the line between the United States and Canada all trunk lines professedly are, as they insist, living up to the interstate commerce law, and it is agreed on all hands that America should not discriminate against its own roads, that the Canadian roads should be on an equal footing with the American roads—I ask you if there is the slightest objection in the world to putting provisions into the law which will insure that the same regulations exist on both sides of the line, if they do not exist to-day, but which would not in any sense discriminate against the Canadian lines or have the effect of driving them out of existence or embarrassing them or placing additional weight on them?

Mr. RAYMOND. I do not think any one will object to any such provision as that, if some one can evolve such a condition of things.

Senator HISCOCK. As I put my question to you squarely you say "No," and yet you make an argument here on the line that nothing should be done, because there is no necessity for its being done.

Mr. RAYMOND. I see no necessity for additional legislation in respect to the Canadian roads.

Senator HISCOCK. That is simply because you may not know about it. There may be necessities on both sides for further legislation.

Now, then, if it is agreed upon all hands that the American and Canadian lines should be on an equal basis and be placed on equal terms by the interstate-commerce law, you see no objection to legislation which will not infringe upon any of the Canadian roads or injure or destroy them in any way as competitors to the American lines, but which will

simply insure their being on an equal basis with the American roads?

Mr. RAYMOND. I do not for an instant defend the Canadian roads as an institution, but I defend the commercial interests of the country which are dependent upon the competition of the Canadian roads.

Senator HISCOCK. I want to disabuse your mind of the impression, if you have that impression, that there is any disposition to cut off the Canadian roads. If I know anything about the trunk lines that pass through New York, there is not the slightest disposition on their part to cripple the Canadian lines, or to weight them excessively as against themselves; but the American lines simply want to be sure that they have a fair chance with the Canadian roads.

Mr. RAYMOND. My experience as a merchant and a shipper is quite different from that, Senator.

Senator HISCOCK. I am not talking about it practically. I assume that both the American and the Canadian lines will get all the advantage they can. I am simply discussing the matter as it occurs in the way of legislation.

Mr. RAYMOND. Yes, sir. Our opinions here are colored by our experience, and we in Detroit think, and I think we know, that the feeling between competitive American and Canadian systems of railroads is bitter—exceedingly bitter—and has been for many years, and that if the American systems of roads through the intervention of the United States Government could cut off Canadian competition, they would not hesitate to use any reasonable means to accomplish that end.

Senator HISCOCK. That may be, although we have not seen any evidence of it.

Mr. RAYMOND. We here in Detroit have seen evidence of it.

Senator HISCOCK. I mean in the way of asking legislation. There was a suggestion in Mr. Depew's testimony that he did not ask or desire anything of the kind. Take the Vanderbilt system of lines which are to-day running through Canada——

Mr. RAYMOND. The Canada Southern division of the Michigan Central.

Senator HISCOCK. How long is that?

Mr. RAYMOND. Two hundred and twenty-seven miles.

Senator HISCOCK. Take the Vanderbilt system of roads which are to-day running through Canada, and any legislation in reference to Canadian roads affects them as much as the Canadian roads.

Mr. RAYMOND. The American roads would be willing to surrender their Canadian connections in a minute if they could get proper legislation.

Senator HISCOCK. The only point I am after is not to fight a phantom unless it has commenced to materialize. That is the only point with me. [Laughter.] I think all my associates on this committee will agree that there has never been any suggestion from the representatives of the trunk lines who have appeared before us that they should have anything in the world over the Canadian roads, except that the Canadian roads should be put under the same jurisdiction and under the same supervision as the American roads.

Senator HARRIS. That the Canadian roads should be placed under precisely the same regulations as are the American roads.

Senator HISCOCK. Nothing more and nothing less.

Mr. RAYMOND. No one has shown where the Canadian roads are not under the same regulations as the American roads.

Senator HISCOCK. That is a disputed question whether they are or not. Right there the horns lock. As I understand you, you agree that

if there is any chance for it, the Canadian roads should be under the same limitations, restrictions, and control as the American roads.

Mr. RAYMOND. Yes, sir; including the producers and the consumers.

Senator HISCOCK. Certainly.

Mr. RAYMOND. That is all we want.

Senator HISCOCK. That is all there is of it—the mere question whether we shall meet the issue and say that no undue advantage shall be given by Congressional legislation, if it can be, in favor of Canadian trunk lines, and I do not understand that you ask it.

Mr. RAYMOND. No, sir; we do not ask it.

The CHAIRMAN. That is all, Mr. Raymond.

CARS CROSSING THE RIVER AT DETROIT.

Mr. RAYMOND. I would like to submit a statement of the number of cars crossing the Detroit River at Detroit.

The CHAIRMAN. We would be glad to have it go in the record.

The statement is as follows:

Total number of cars crossing the Detroit River at Detroit, east and west bound, during the years 1887 and 1888:

	Cars.
Via Michigan Central R. R	535,158
Via Grand Trunk R. R	231,079
Total number of cars crossing the St. Clair River at Port Huron, east and west bound, during the years 1887 and 1888 (about)	394,000
Grand total via Canadian lines at Detroit and Port Huron for two years	1,160,237
Average number of cars crossing at both places per year	580,114

STATEMENT OF JOHN B. MULLIKEN.

Mr. JOHN. B. MULLIKEN, vice-president and general manager of the Chicago and West Michigan Railway Company, appeared.

The CHAIRMAN. Where do you reside, Mr. Mulliken?

Mr. MULLIKEN. Detroit.

The CHAIRMAN. What is your business?

Mr. MULLIKEN. I am vice-president and general manager of the Chicago and West Michigan, president and general manager of the Saginaw Valley and St. Louis, and general manager of the Detroit, Lansing and Northern Railroad companies.

The CHAIRMAN. How long is your line?

Mr. MULLIKEN. About 800 miles.

The CHAIRMAN. From and to where does it run?

Mr. MULLIKEN. From Detroit to Howard City and Big Rapids, in Michigan; from Saginaw across to Howard City, and from La Crosse to Pentwater.

The CHAIRMAN. Your line is mainly in your own State?

Mr. MULLIKEN. Yes, sir; there are only 35 miles in Indiana.

The CHAIRMAN. You heard read the resolution under which this committee is operating and understand the subject of inquiry. Will you please proceed to give your views about the matter as you see proper?

Mr. MULLIKEN. I do not know that I have any peculiar views in regard to the matter. I do not see any occasion for any complaint anywhere.

The CHAIRMAN. Everything is all right as far as you know.

Mr. MULLIKEN. Yes, sir; as far as I know.

The CHAIRMAN. What roads do you connect with in your transportation interests east?

Mr. MULLIKEN. Principally with the Michigan Central. We also connect here with the Grand Trunk interest, and also at Trowbridge with the main line of the Grand Trunk.

The CHAIRMAN. That is north of Detroit?

Mr. MULLIKEN. Yes, sir; up at Lansing, 85 miles above here.

The CHAIRMAN. It is not on the water, is it?

Mr. MULLIKEN. No, sir; it is in the interior of the State.

The CHAIRMAN. Have you any knowledge of the business operations of these Canadian lines?

Mr. MULLIKEN. No, sir; not particularly.

The CHAIRMAN. Do you do any business with the American lines with respect to your transportation east?

Mr. MULLIKEN. Yes, sir; with the Michigan Central and Lake Shore.

The CHAIRMAN. The Michigan Central is a Canadian line and owned by American parties, I believe.

Mr. MULLIKEN. Yes, sir; running from here to Buffalo. At Detroit we give business to the Lake Shore; also at different points to the Pennsylvania lines.

The CHAIRMAN. Do you have any difficulty in getting all the accommodations you want on the Lake Shore?

Mr. MULLIKEN. We never have had very much occasion to ask them for any great accommodations. I suppose they could take care of all the business we have going east.

The CHAIRMAN. Your principal business is with the Michigan Central.

Mr. MULLIKEN. Yes, sir.

The CHAIRMAN. Is there any difference in the charges on the different lines?

Mr. MULLIKEN. No, sir, the rates are all the same.

Senator HARRIS. Is there a difference in time?

Mr. MULLIKEN. Yes, sir; there would be a difference in time where we went around by way of Toledo.

The CHAIRMAN. You heard Senator Hiscock's question to Mr. Raymond as to whether he would have any objection to the same regulations prevailing with respect to the Canadian lines as prevail with respect to the American lines. Have you any objection to such a condition of things?

Mr. MULLIKEN. I think the same regulations should obtain in both cases.

The CHAIRMAN. And if they do not obtain now in both cases you would be willing to advocate a law that would have that effect?

Mr. MULLIKEN. Yes, sir.

The CHAIRMAN. And all the people in this section are anxious about is, that you shall not be cut off from the competition that you now enjoy on account of the Canadian roads?

Mr. MULLIKEN. Yes, sir.

The CHAIRMAN. I think no one has any desire to interfere with that.

Mr. MULLIKEN. No, sir; I have not seen any indication of that.

The CHAIRMAN. Have you heard any complaint by railroad men that they were at a disadvantage on account of the interstate commerce act as between themselves and the Canadian roads?

Mr. MULLIKEN. No, sir; not as regards business from one point in

the United States to another point in the United States going through Canada. I have heard complaint of discriminations in favor of shippers living in Canada shipping from the United States to Canadian points.

The CHAIRMAN. On whose part have you heard those complaints?

Mr. MULLIKEN. By the Michigan Central. The Grand Trunk paid rebates on business going to Canadian points.

The CHAIRMAN. You know nothing as to whether it was true or not?

Mr. MULLIKEN. I do not.

The CHAIRMAN. Have you ever had to pay any yourself?

Mr. MULLIKEN. No, sir; we have never had any complaint of that kind.

Senator HARRIS. Do you know whether the business of the Canadian roads has increased or diminished within the last few months—say the last six or eight months?

Mr. MULLIKEN. I do not know anything of the kind, sir.

Senator HARRIS. As a railroad man, do you know whether through rates have increased or diminished since the passage of the interstate commerce act?

Mr. MULLIKEN. I do not think through rates have diminished at all.

Senator HARRIS. Do you think they have increased?

Mr. MULLIKEN. No, sir.

Senator HARRIS. They stand about where they did before the law was passed.

Mr. MULLIKEN. They remain about the same.

Senator HARRIS. Have local rates increased or diminished?

Mr. MULLIKEN. Local rates have decreased very much.

Senator REAGAN. Have you been informed of any discriminations against American commerce passing through the Welland Canal?

Mr. MULLIKEN. I know of nothing of the kind. I have seen it hinted in the papers, that is all.

STATEMENT OF CHARLES C. BOWEN.

Mr. CHARLES C. BOWEN, of the firm of Ferry & Co., seedsmen, of Detroit, appeared.

The CHAIRMAN. Where do you live?

Mr. BOWEN. I reside here in Detroit.

The CHAIRMAN. What is your business?

Mr. BOWEN. Seedsman.

The CHAIRMAN. And carrying on a large business?

Mr. BOWEN. Yes, sir.

The CHAIRMAN. You are connected with the largest business of that character in the northwestern country, I believe.

Mr. BOWEN. I am associated with other men who carry on a large seed business.

The CHAIRMAN. You have your own views on this subject and I would thank you to proceed to give them.

Mr. BOWEN. I came here with the impression that there was an effort upon the part of interested persons to blockade the business of Detroit and Toledo with the northeast through Canada.

The CHAIRMAN. To put up a gate that would prevent your getting east?

Mr. BOWEN. Yes, sir; and therefore what little argument I had to make has vanished into thin air.

The CHAIRMAN. We thought that would be so when you discovered what was really going on. Give us your views, however, as it will be well to have them in the record.

Mr. BOWEN. Taking that view of it, I took occasion yesterday to use a railroad guide and make certain notations with respect to distances. From Port Huron to Buffalo by way of Detroit and Toledo is 421 miles; the distance from Port Huron to Buffalo by way of Grand Trunk Railway is 198 miles, a difference of 223 miles in favor of the Grand Trunk.

The CHAIRMAN. Do your people here get that advantage?

Mr. BOWEN. No, the people at Port Huron do. The distance from Detroit to Niagara Falls, by way of Great Western is 229 miles; the distance from Detroit to Niagara Falls by way of Toledo is 379 miles; a difference of 150 miles in favor of the Great Western.

In view of these facts, I submit that the denial of these short routes to the commerce of Michigan would be an outrage to the citizens of this Commonwealth and would impose upon us a burden destructive not only to our material interests, but, in my opinion, would foster and encourage disloyalty among our citizens. It seems to me our Government can not afford to antagonize a large portion of her citizens unless some adequate compensation is to follow. If the British Government has subsidized railroads in Canada, and thereby brought immeasurable advantages to us, it is our duty to foster this state of affairs.

If it is desirable to have in mind the acquisition of Canada peacefully, we should cultivate close commercial relations. On the other hand, it may be urged that in so doing we strengthen the hands of a foreign people. True, we do; but if we add to our own strength by this process in the ratio of five to their one, which I think is our experience in the past, it is the only true course to pursue.

The CHAIRMAN. You do a great deal of shipping east and west, do you not?

Mr. BOWEN. Yes, sir.

The CHAIRMAN. What lines of railroad do you ship over?

Mr. BOWEN. All the lines that come into Detroit.

The CHAIRMAN. From and to where are your main shipments?

Mr. BOWEN. Chiefly west.

The CHAIRMAN. Do you raise your seed here?

Mr. BOWEN. Some of them.

The CHAIRMAN. Where do you buy the balance?

Mr. BOWEN. We buy from $50,000 to $75,000 worth in Europe annually.

The CHAIRMAN. By what route do they come to Detroit?

Mr. BOWEN. Chiefly by the Blue Line to New York, or by the Merchants' Dispatch, I should say, which is the New York Central Railroad, and the Canadian division of the Michigan Central.

The CHAIRMAN. You ship mainly to the Western States?

Mr. BOWEN. Yes, sir; we distribute these goods here.

The CHAIRMAN. You ship over the various American railroads leading to points which reach your customers?

Mr. BOWEN. Yes, sir.

The CHAIRMAN. You have come to the conclusion that we are not trying to destroy these Canadian roads?

Mr. BOWEN. I judge so from the remarks made here.

The CHAIRMAN. You do not want to put up an embargo against your traveling or shipping over the Canadian roads, but if there is anything to be done at all you simply want the Canadian roads placed exactly on an equality with our own roads?

Mr. BOWEN. That is it.

The CHAIRMAN. And to do that, if it should be found necessary, by whatever arrangement would be potential between the two governments. Have you any objection to that?

Mr. BOWEN. No, sir; not the slightest.

At 1 o'clock p. m. the committee took a recess until 2 o'clock.

At the expiration of the recess the committee resumed its session.

STATEMENT OF O. J. ATKINSON.

Mr. O. J. Atkinson, an attorney at law of Port Huron, appeared.

The CHAIRMAN. Where do you reside?

Mr. ATKINSON. Port Huron.

The CHAIRMAN. On which side of the river?

Mr. ATKINSON. On the north side of Black River.

The CHAIRMAN. Are you an American citizen?

Mr. ATKINSON. I am Canadian born and an American citizen.

The CHAIRMAN. I suppose you have been listening to these hearings to-day.

Mr. ATKINSON. Yes, sir.

The CHAIRMAN. What is your business or profession?

Mr. ATKINSON. I am an attorney at law.

The CHAIRMAN. If you have anything to suggest on the line of this resolution please proceed to state your views.

Mr. ATKINSON. I scarcely know what is pertinent to your inquiry.

The CHAIRMAN. You may talk in your own way.

Mr. ATKINSON. We have a city on the north bank of the St. Clair River very largely dependent on the commerce carried over the Canadian roads for its business existence. The city, with its suburbs, has about 15,000 inhabitants. We have the Grand Trunk system from Chicago. We have a local road built to Saginaw, which has recently been purchased by the Flint and Pere Marquette; we have the Detroit division of the Grand Trunk Railroad, and we have the Port Huron, Sarnia and Duluth line of steamers. We have about $350,000 invested in elevators.

The CHAIRMAN. Grain elevators?

Mr. ATKINSON. Yes, sir; grain elevators recently constructed. We look upon all those interests as closely interwoven with the Canadian system of railroads.

To the east we have the main line of the Grand Trunk leading from Port Edward through Toronto east to Montreal. We also have the Sarnia branch of the Great Western Railroad, the main line of which reaches Detroit. We are nearer Buffalo and all points east, of course, by that system of railroads than by any other.

The figures were given by the last witness here before you, Mr. Bowen. Our shipments of merchandise from the east, as far as we could learn, amount to about $5,000,000 a year, nearly all over the Canadian railroad.

I asked the mayor of Port Huron yesterday to give me a statement of what I conceived might be the headings of inquiries before this committee, and he gave me a letter which I will read. It is as follows:

COMMERCIAL INTERESTS OF PORT HURON.

MAYOR'S OFFICE
Port Huron, Mich., July 10, 1889.

GENTLEMEN: I have, at the request of your committee, ascertained the business done by some of the principal dry goods and grocery merchants of this city, shipping from the East over the Grand Trunk Railroad to Port Huron. I find that in a total business of about $4,000,000 annually done by our merchants during the last year, at at least $2,500,000 worth of goods were purchased in the East and shipped to Port Huron over the Grand Trunk Railway. These figures do not include the business done by the foundry and machine shops of this city. In my opinion this business would be largely suspended if direct shipment from the East over the Canadian roads was in any way restricted or embarrassed.

I also learn that our city has paid for railroad purposes $150,000 to the old companies leading westward, and to the Narrow Gauge $15,000.

Our people have invested in railroad stock $150,000, all of which was influenced and induced by railroad connection through Canada.

There is invested in elevators in this city as follows:

Botsford's Elevator	$135,000
McMorran & Co.'s Elevator	150,000
Sanborn's Elevator	65,000
Jenkinson's Elevator	100,000

Making a total of $450,000 invested within a few years, and the successful operation of which is entirely dependent upon railroad connection through Canada.

The advantages of our location have aided largely in the establishment of this important branch of business, and during the last year there has been shipped from this point east about 7,000,000 bushels of grain, including that which was purchased here by our citizens and that which was elevated here for the purpose of transshipment.

A company has been formed here known as the Port Huron, Sarnia and Duluth line of steamers, with three large boats, sheds, etc., costing $175,000, and dependent upon the same interest for their existence.

We have two ferry lines connecting Port Huron and Sarnia, employing each one boat in connection with the railroad business, which boats are worth between $20,000 and $25,000.

Our merchants are very emphatic and unanimous in the opinion that any restrictions placed upon shipments from the east over the Canadian railroads will be very disastrous to their business, both in causing delays in the receipt of goods purchased and also increasing rates of freight. Goods can be received here from New York direct through Canada in four days, while to ship around on American roads would take from eight to twelve days.

Those engaged in the elevator business are very pronounced in their expression of opinion that to place restrictions upon the shipment of grain east over the Canadian roads would substantially mean the entire ruination of the elevator business in this city.

Very respectfully, yours,

J. B. MCILWAIN.

The PORT HURON BOARD OF TRADE,
Port Huron, Mich.

Senator HARRIS. Do you represent the board of trade?

Mr. ATKINSON. Yes, sir; in that regard. I have a statement from the custom-house of the cars that crossed at Port Huron during the year 1888–'89. The loaded cars amounted to 70,506.

The CHAIRMAN. From where did that statement come?

Mr. ATKINSON. This I received from the custom-house this morning.

The CHAIRMAN. Where did the traffic come from that crossed at that point?

Mr. ATKINSON. From Chicago and other western points.

The CHAIRMAN. Going where?

Mr. ATKINSON. To points east.

The CHAIRMAN. Going to points in the United States or in Canada?

Mr. ATKINSON. In the United States principally. I will submit this statement of loaded cars.

The statement is as follows:

CARS CROSSING AT PORT HURON.

Number of loaded cars in transit through Canada June 30, 1888, to June 30, 1889.

Date.	No. cars.	Date.	No. cars.
1888.		1889.	
July	4,617	January	6,052
August	4,373	February	5,675
September	5,147	March	6,888
October	5,432	April	5,219
November	6,762	May	6,274
December	8,146	June	5,971

Mr. ATKINSON. I have a table here, which was published in yesterday's Times, of Port Huron, showing the total number of loaded and unloaded cars, which I will insert in my remarks, if desired. It contains a good deal of statistics.

The CHAIRMAN. What is the nature of the statistics?

Mr. ATKINSON. The business is divided into three classes: Imports of dutiable goods, imports of dutiable merchandise, and domestic exports to foreign countries. This list gives the totals of exports and imports for several years, including 1889. When I say 1889, I mean up to the last of June, 1889.

The CHAIRMAN. Did these goods pay duty, or were they just passing through?

Mr. ATKINSON. The lists of free goods are here and also the list of dutiable goods.

The CHAIRMAN. Are the dutiable and free goods separated in those tables?

Mr. ATKINSON. Yes, sir.

The CHAIRMAN. What does the importation of free goods amount to?

Mr. ATKINSON. Eighty-six thousand nine hundred and seventy dollars.

The CHAIRMAN. What is the total amount of the imports of dutiable goods?

Mr. ATKINSON. Fourteen thousand seven hundred and fourteen dollars.

The CHAIRMAN. It is a mere indication of what the business of your town is.

Mr. ATKINSON. The table shows the business of our city, which is dependent upon the present railroad connections for its existence. I will submit the table without further comment.

The table is as follows:

IMPORTS AND EXPORTS OF PORT HURON.

Imports from and exports to foreign countries from the port of Port Huron during the month of June, 1889.

Articles.	Quantity.	Value.
Imports of free goods:		
Horses.....number..	81	$28,877
American goods, rated	.....	3,364
Eggs.....dozen..	7,660	862
Fresh fish.....pounds..	284,058	9,912
Lobsters	.....	1,500
Hair	.....	774
Household goods	.....	28,728
Unmanufactured wood	.....	11,137
All other merchandise	.....	1,816
Total free	.....	86,070
Imports of dutiable merchandise:		
Horses.....number..	8	1,669
Books	.....	348
Barley.....bushels..	2,864	1,417
Oatmeal.....pounds..	20,700	440
Machinery	.....	2,050
Stone	.....	1,452
Mineral oil....gallons..	16,709	432
Salt.....pounds..	56,000	345
Peas.....bushels..	438	297
Pulp.....pounds..	90,000	2,250
Other merchandise	.....	4,014
Total	.....	14,714
Total imports in June	.....	101,684
Amount duty collected	.....	2,184.20
Amount duties bonded	.....	1,121.75
Domestic exports to foreign countries:		
Cattle.....number..	7	3,000
Hogs.....do...	5,433	39,777
Books	.....	1,546
Corn.....bushels..	14,000	26,000
Corn meal.....barrels..	626	1,878

Articles.	Quantity.	Value.
Domestic exports—Cont'd:		
Oats.....bushels..	1,000	$280
Flour.....barrels..	7,129	33,862
Broom-corn	.....	3,250
Bituminous coal..tons..	311	1,011
Cotton.....pounds..	636,224	66,804
O. fruits	.....	20,125
Glassware	.....	4,525
Glucose.....pounds..	62,200	2,177
Grease	.....	9,200
Hides	.....	19,575
Pig-iron.....tons..	300	5,400
Machinery	.....	3,550
Manufactured iron	.....	2,000
Manufactured stone	.....	1,475
Oil-cake.....pounds..	291,900	3,648
Lard-oil.....gallons..	3,000	1,800
Paper	.....	1,150
Canned beef..pounds..	748,950	56,171
Pickled beef.....do....	175,500	7,020
Tallow.....do....	54,400	2,176
Bacon.....do....	8,652,848	540,803
Hams.....do....	213,755	19,238
Pickled pork.....do....	843,107	51,640
Lard.....do....	760,676	51,346
Imitation butter do....	22,000	2,860
Butter.....do....	232,930	30,281
Cheese.....do....	424,330	33,947
Timothy-seed....do....	58,311	1,749
Leaf-tobacco.....do....	351,430	67,715
Onions.....bushels..	1,300	2,080
Potatoes.....do....	1,500	1,200
Lumber.....M feet..	1,250	18,750
Staves	.....	3,100
Hewn timber..M cu. ft..	96	24,000
Logs	.....	19,050
Wooden ware	.....	1,200
Manufactured wood	.....	3,150
Other merchandise	.....	15,094
Total exports for June	.....	1,175,204

Exports for June:	
1888	$961,747
1887	1,422,057
1886	1,015,497
Exports year ending June 30:	
1889	10,789,345
1888	9,561,120
1887	8,667,199
1886	8,297,310
1885	8,437,572
Imports year ending June 30:	
1889	2,602,710
1888	2,404,800
1887	2,395,341
1886	2,608,272
1885	2,271,314

Mr. ATKINSON. I notice your first question in the circular given us, which reads:

Do the Canadian lines of transportation operating in the United States affect the commercial interests of this country favorably or unfavorably?

We say favorably.

In what manner do they affect such interests and to what extent?

We say they afford the shortest and of necessity the cheapest method of transportation.

Is traffic originating in the United States, and which would naturally be carried over American lines, diverted from them to Canadian lines; and, if so, to what extent and by what means?

We should say not. That is the experience of myself and the information I have gathered.

Do you consider any additional legislation expedient or desirable for the regulation of the commerce carried on by railroad or water-routes between the United States and Canada? If so, what measures would you suggest?

We have none to suggest, except that the Interstate Commerce Commission expresses itself as unable to correct an unfairness in freight with respect to the eastern border, which operates against our city.

The CHAIRMAN. In what way?

Mr. ATKINSON. We are charged the rate that pertains to interior portions of the State and points farther west, and that hurts our milling interest particularly and some other interests; it affects the eastern border of the State, as I understand. If the Interstate Commerce Commission were empowered to make an equitable adjustment of that we should consider it desirable.

Senator HARRIS. That would lead to the Commission fixing rates, would it not?

Mr. ATKINSON. That objection has been raised; yes, sir. One of our committee suggested that it might lead to that. We feel that we are treated unjustly and unfairly as to that matter, however, and would like to see it remedied.

The total number of cars crossing there, which I omitted to give, during the year 1889 up to June 30, 1889—for the year ending June 30, 1889—was 184,000 through cars and 13,500 local cars, making a total of 197,500 cars.

The CHAIRMAN. From where do the through cars come?

Mr. ATKINSON. I should say from Chicago chiefly.

The CHAIRMAN. Those are Grand Trunk cars mainly, are they not?

Mr. ATKINSON. Well, the Grank Trunk now controls the Detroit, Grand Haven and Milwaukee.

The CHAIRMAN. So that they are all Canadian cars?

Mr. ATKINSON. I think not; they are largely owned by American roads.

The CHAIRMAN. But connecting with Canadian roads?

Mr. ATKINSON. Yes, sir; Mr. Howard tells me that they are chiefly American cars.

VESSELS ENTERED AND CLEARED AT PORT HURON.

I have here a table from the collector of customs, giving the number of vessels entered and cleared, and with your permission I will insert it.

The CHAIRMAN. You can do so.

The table is as follows:

Vessels engaged in the foreign trade entered and cleared during the year 1888 *in the district of Huron, State of Michigan.*

Month.	Entered.		Cleared.	
	No.	*Tons.*	*No.*	*Tons.*
April	17	672	20	725
May	68	8,550	47	3,445
June	70	10,691	49	4,509
July	98	10,207	72	4,243
August	88	15,283	67	8,686
September	90	15,166	65	5,726
October	90	12,661	57	3,673
November	48	4,010	36	2,650
December	19	1,166	15	1,020
Total	588	78,406	428	34,677

SHIPMENTS IN BOND FROM PORT HURON.

Mr. ATKINSON. I have a statement of the value of merchandise received at and forwarded in bond from the port of Port Huron to interior ports during the year ending June 30, 1889, which I would like to put in the record also.

The statement is as follows:

Value of merchandise received at and forwarded in bond from the port of Port Huron to interior ports during the year ending June 30, 1889.

[Does not include merchandise received under consular-seal manifests, which amounts to over $1,000,000 a year.]

Period.	Warehouse and transportation.	Immediate transportation.	Period.	Warehouse and transportation.	Immediate transportation.
1888.			1889.		
July	$2,308	$13,484	January	$58,488	
August	599	12,418	February	65,210	$406
September	4,657	2,722	March	66,995	
October	97,958	9,842	April	8,688	4,438
November	157,758	9,413	May	8,549	13,415
December	99,232	7,351	June	3,183	4,512
			Total for fiscal year	573,625	78,001

Mr. ATKINSON. This statement comes from the collector of customs of that district. I should say that the business interests of our part of the State are dependent upon the present condition of transportation very largely. Any disturbance of that condition would be disastrous. I do not know that I have anything further to suggest.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. You do not suppose, if the American lines are now operating at a disadvantage under our system of regulation, that it would do your people any injury if by any arrangement the Canadian roads could be put under the same system of regulation, do you?

Mr. ATKINSON. No, sir, unless the Canadian roads have some embarrassments in their own country. If they were compelled to come under our interstate commerce law and to submit also to embarrassments at home, then they could not compete.

The CHAIRMAN. Why could not the Canadian lines compete if the interstate commerce act were applied to them?

Mr. ATKINSON. If they are not as well situated in Canada as the American roads are here they could not live on the same revenue.

The CHAIRMAN. It is alleged here that the Canadian roads are really operating under the interstate commerce act in so far as respects any commerce that touches the United States in any manner. Now, if that is not true, and it should be made true, would there be any objection to it?

Mr. ATKINSON. I do not see any.

I might mention a circumstance here. The American roads are supposed to control lines of steam boats, and an independent boat or line of boats in no way connected with the American roads, bringing freight to Port Huron, for instance, if there were no Canadian takers for that freight, no Canadian roads, would be compelled to pay local rates from

Port Huron to Buffalo, or to some other point, and that would drive the boats off the lakes. The owners of the boats tell me so. One of them is here to-day, and can tell you better about it than I.

STATEMENT OF ASHLEY POND.

Mr. ASHLEY POND, solicitor of the Michigan Central, appeared.

The CHAIRMAN. What is your judgment from your experience, Mr. Pond, as to the question of whether the American roads and the Canadian roads are on the same level, or whether the American roads are at a disadvantage in comparison with the Canadian roads under existing circumstances?

Mr. POND. So far as I have been able to judge, the American roads since the interstate commerce law has been enacted have been and are now working at a disadvantage.

The CHAIRMAN. Please explain the reason why.

THE GRAND TRUNK AND THE INTERSTATE LAW.

Mr. POND. To begin with, up to this time there has been a controversy as to just to what extent the Canadian roads are subject to this interstate commerce act. Almost every step of the way has been controverted by the Canadian roads, or by the Grand Trunk road—every step of the attempt to enforce the act against them has been controverted.

Mr. Ledyard, in his testimony before your committee in New York, I think, cited the case which came up before the Commission on the question of the tariff on coal from the United States to Canada. Complaint was made by the Michigan Central Company against the Grand Trunk road, charging a violation of the interstate commerce act, in that while they published a tariff rate from Buffalo and Black Rock to points in Canada, they did not adhere to those rates, but paid rebates to large shippers.

The Grand Trunk Company admitted such to be the fact, but contended that that traffic was not within the interstate commerce law. I say admitted the fact. When the case was called up before the Commission the counsel stated that the road paid the bridge tolls over the International bridge, whatever they might be, and then they made a rate from the other side of the bridge to the stations. But correspondence had taken place between the managers of the two companies and the tariffs were before the Commission. The Commission held the fact to be as shown by this correspondence and by these tariffs—that the tariff was made from Buffalo and Black Rock. Incidentally the Commission held that all traffic going into Canada or through Canada into the United States was within the act.

So far as I am advised, while the Interstate Commerce Commission has so decided, the Grand Trunk road still adheres to its original method of business. Of course we have no direct evidence of that fact; we can get none. The committee will see that if the claim of the Grand Trunk was correct in that instance, that the act does not affect traffic going from any point in the United States to any point in Canada, that all the grain traffic for export going to Montreal is outside of the act.

The CHAIRMAN. You mean where it originates in the United States?

Mr. POND. Yes, sir. Then, as to the passenger traffic, we are advised

and have credible information—of course it is difficult to make legal proof—that a lower rate is given to passengers who cross over the river on the ferry and take the Grand Trunk road on the other side than to through passengers starting on this side. Then there are methods by which the Grand Trunk can evade the law.

Senator HISCOCK. So far as the last instance is concerned, I should think you would have no trouble in demonstrating whether the Grand Trunk does it or not.

Mr. POND. If we could call the passengers before us and get the information from them we might demonstrate it.

Senator HISCOCK. You could send men there and have them purchase tickets.

Mr. POND. We might do that, perhaps, but beyond that there is a difficulty in getting at the facts and getting the evidence. This Grand Trunk is a Canadian corporation. It does not come into the United States for the purpose of operating any railroad unless it be the short road between Detroit and Port Huron. I am not certain as to that. It is possible that that is another line of the Grand Trunk Company in the United States. But the Grand Trunk controls, as the largest stockholder, the Chicago and Grand Trunk, which runs from Port Huron to Chicago. It is the only stockholder of the Detroit and Milwaukee Railroad, which runs from Detroit to Grand Haven, and in that connection owns a line of steamers across the river. It has recently acquired the control of a road from Muskegon to Durand, or somewhere near there. All these roads are not operated by the Grand Trunk proper, but in the name of the several corporations under which they are organized.

Now, these companies can literally obey the interstate commerce law, and rebates can be given by the Grand Trunk proper in Canada, the payment of which it is very difficult to discover. We assume that the Grand Trunk is not adhering to the law from the results of its business compared with the business of the American roads. Thus, for quite a number of weeks, I do not know but months, some two months ago, the Grand Trunk took out of Chicago from 30 to 40 per cent. of all the business for Eastern points. I say the Grand Trunk Company. I mean the Chicago and Grand Trunk Company, the Chicago connection of the Grand Trunk.

The CHAIRMAN. As the connection of the Grand Trunk between Chicago and Port Huron?

Mr. POND. Yes, sir. Now, we know from past experience that adhering to the law—that is, adhering to the tariff rates as published by the Grand Trunk and filed with the Interstate Commerce Commission—would not naturally secure them any such amount of business.

The CHAIRMAN. What was the character or quality of most of that business?

Mr. POND. Grain and dressed beef. The Grand Trunk for the last two years has been taking a large portion of the dressed beef business.

The CHAIRMAN. At published rates?

Mr. POND. I suppose so. The Grand Trunk Company made an agreement some two years since with large dressed beef shippers, fixing the rates for some time in the future. I do not remember for how long. By this arrangement or agreement, I think the maximum rate was 40 and the minimum 30, and I presume it published its rates accordingly.

In addition to that the Grand Trunk has been paying a cent a mile for the use of the refrigerator cars which are owned by the shippers, while the other roads were paying but three-quarters of a cent. This cent a mile seriously affects the rate, but it is not published as a part

of the rate. The tariff sheets do not show what mileage is paid for the use of the cars.

The CHAIRMAN. You say the tariff sheets do not show it?

Mr. POND. No, sir; they do not. Our principal evidence, excepting the cases I have stated, that the Grand Trunk does not adhere to the law, is the fact that it takes a much larger proportion of the business than it could naturally be expected to take if it adhered to its published tariffs.

The CHAIRMAN. What was the per cent. that the Grand Trunk carried during the period you mentioned?

Mr. POND. From 30 to 40 per cent. I think over 40 per cent. for one or more weeks.

The CHAIRMAN. When was that?

Mr. POND. I should say from two to four months ago.

The CHAIRMAN. What is their per cent. now?

Mr. POND. The report for last week puts it at 18 per cent., I think.

The CHAIRMAN. How do you account for such a dropping down?

Mr. POND. I account for it on the supposition that for the last two weeks they have been adhering more strictly to the law, maintaining published rates, and making no concessions in any form.

The CHAIRMAN. How is it that they happen to do that now?

Mr. POND. It happens to occur in connection with the movements of this committee. [Laughter.]

Senator HARRIS. About how long did that condition of things continue in which they were carrying over their supposed due proportion of business?

Mr. POND. I do not know exactly. My attention was called to it at the meeting of the Central Traffic Association in Chicago.

The CHAIRMAN. What indications have you now that the Grand Trunk is adhering to the published rates?

Mr. POND. I suppose so from the fact that they are not getting the lion's share of the business. Under the old pooling arrangement they were allowed somewhere near 22 per cent. of the business.

The CHAIRMAN. Their percentage is a little below that now, is it not?

Mr. POND. Yes, sir.

The CHAIRMAN. What did you say their percentage was now?

Mr. POND. The report for last week states it to be 18 per cent. It varies from week to week.

The CHAIRMAN. For what road are you solicitor?

Mr. POND. I am solicitor for the Michigan Central.

The CHAIRMAN. What share of the business is the Michigan Central getting from here?

Mr. POND. I can not tell you what share of the business we are getting from Detroit. Of the passenger business we get the larger proportion. I am not in the operating department and do not keep track of exactly how the traffic runs.

The CHAIRMAN. You spoke a few moments ago of passengers crossing the river by ferry and then taking the Grand Trunk. Your passengers could cross the river, too, could they not, and then start?

Mr. POND. Our passengers could go across the river and start similarly; but we have desired to obey the law strictly, because we have felt a fear, whether there is any occasion for it or not I do not know, that if the Canadian roads did not obey the law there might be some restrictive legislation that would greatly decrease the value of our roads on the other side of the river. I do not know what we might not do if we were not under some fear.

The CHAIRMAN. Do you think that legislation which would in any wise restrict Canadian roads would injure you on the other side of the river?

Mr. POND. Yes, sir; it would ruin the Michigan Central on the other side of the river. Its main line is from Detroit to Chicago. Then it has the other lines further north. It operates a road from Jackson to the Straits of Mackinaw, and a road from Detroit to Bay City, connecting at Bay City with that line; also a branch from Jackson to Grand Rapids. So that its business naturally comes to Detroit.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Is it your opinion or not, Mr. Pond, that something different from what now exists ought to be done to protect American roads as against Canadian roads?

Mr. POND. I think that either the interstate commerce law should be repealed or that it should be so amended that the Canadian roads would be made subject to the same restrictions as the American roads.

The CHAIRMAN. Do you think that they are not subject to such restrictions now?

Mr. POND. Yes, sir; practically.

The CHAIRMAN. Do they evade the law?

Mr. POND. Yes, sir; and I do not think there is any remedy provided by the law.

The CHAIRMAN. As a lawyer, have you any suggestions that would enable the American Congress to improve the situation in that regard?

Mr. POND. It is a situation, I must confess, which it is difficult to improve. I think some things can be done, however, to improve the situation.

The CHAIRMAN. What are they?

Mr. POND. My idea is that these Canadian roads should be required to obtain licenses from the Interstate Commerce Commission to enter into this traffic, and perhaps give bond to comply with the law.

The CHAIRMAN. And forfeit the bond in case of violation of the law?

Mr. POND. Certainly. In my opinion they should be required to obtain a license from the Interstate Commerce Commission, and the license should be revoked if they do not obey the law.

The CHAIRMAN. So that if a road did not obey the law in all particulars the license should be revoked and they should go out of business so far as the United States business is concerned?

Mr. POND. Yes, sir; so far as they would be compelled to go out of business by being refused permission to use through cars in this through traffic. They might, perhaps, obtain some passenger business by transferring passengers from this side of the river to the other, and then to the Niagara frontier, and some freight business by vessels into Canada, not through Canada.

The CHAIRMAN. Your road from here to the bridge being a Canadian road, would you put it under the same restrictions as the Canadian roads?

Mr. POND. Yes, sir; we ask no favors; we ask no discrimination. We are willing to stand upon the same footing as all Canadian roads; we expect to stand there.

Senator HISCOCK. And you want them to stand on the same footing with you; you only ask that no discrimination be made?

Mr. POND. Yes, sir.

Senator HISCOCK. You do not want any legislation which puts the

Canadian roads under any other restrictions than you are placed under?

Mr. POND. No, sir; no more than the American roads generally are under. We never have suggested any different legislation for the Canadian roads than for the American roads.

Reference has been made to the Vanderbilt roads. The Michigan Central is a Vanderbilt road. I have heard this subject discussed many times by the Vanderbilt people, by the presidents of the various Vanderbilt roads. The presidents of the so-called Vanderbilt roads hold monthly meetings in the Grand Central depot at New York, when all questions affecting the roads are discussed. I have attended many of those meetings, and I have never yet heard a suggestion from the president of any of the Vanderbilt roads that there should be any legislation which would be more severe on the Canadian roads than on the American roads. Under the act as it now stands it is very difficult to get effective jurisdiction over the Grand Trunk road.

The CHAIRMAN. You think the American roads are at a disadvantage as things now are on account of the interstate commerce act?

Mr. POND. Yes, sir.

The CHAIRMAN. You have studied this question some time. Can you tell us in what way the interstate commerce act hampers or inconveniences American roads in competition with Canadian roads?

Mr. POND. The American roads are required to publish their tariffs to all points and to file copies with the Interstate Commerce Commission. They are forbidden to increase the rates except upon ten days' public notice, or to reduce them except upon three days' public notice, and they are required under heavy penalties to adhere to these tariffs. The Canadian roads, as I have already suggested, may, by various shifts and devices, evade that provision. It is difficult to detect the evasion, and more difficult to reach it if the evasion is detected—that is, if the evasion is in Canada, as it may be, and we suppose it to be, if there is any evasion, and we believe there are such evasions—while the American roads are within reach of process at all times.

The CHAIRMAN. Your remedy is a license?

Mr. POND. Yes, sir; a license is my remedy.

The CHAIRMAN. How would it do to apply licenses to all roads, American as well as Canadian?

Mr. POND. I see no objection to it. These Canadian roads should obtain licenses through the Interstate Commerce Commission.

The CHAIRMAN. That subject was discussed by the committee before the law was formulated, and it was a question in our minds then whether that was not one of the means of securing a proper observance of the law; but it seemed to be thought at that time that it might be a little troublesome and cumbersome to require licenses to be given to every road in the country, so we did not adopt it.

Mr. POND. There is a provision now that traffic going through Canada, if it is not carried in compliance with the law, shall be made subject to duty, but it is impossible to detect its not being carried so in time to enforce the payment of the duty.

There is another provision in the sixth section authorizing an injunction restraining the company from taking traffic, but it is very difficult to enforce that. So far as I can see it is not practicable to enforce it.

DIFFICULTIES IN SECURING JURISDICTION.

I said it was very difficult to get jurisdiction over the parties. I handed to the Interstate Commerce Commission at Chicago some

papers a month or six weeks ago with the suggestion that they seemed to call for investigation. They were papers that I supposed proved that the Grand Trunk was violating the act. I was notified a few days since that these papers had been sent by the Commission to the United States district attorney of this district. The district attorney advised me that he had been notified, and asked me to call and see him. We looked over the ground and we found that there was no one against whom a complaint could be made for the violation in that case and against whom there would be process except the local agent at Port Huron, who was doubtless an innocent party. Of course when the grand jury is in session indictments may be found and the parties may be reached, perhaps may be caught within the jurisdiction, or perhaps brought into our jurisdiction.

THE GRAND TRUNK COAL CASE.

Senator HISCOCK. I want to ask you a question on the subject you touched a while ago, and that was this decision in reference to the coal traffic. I understand what you claimed was this, that the Canadian roads take tolls over their United States roads—over the roads which they own and control in the United States?

Mr. POND. In this particular case they did not own or control the road, but they joined in a tariff. They published a general tariff under the sixth section of the act.

Senator HISCOCK. They did not control the road, but published a joint tariff, and then they gave a rebate to the shipper.

Mr. POND. Gave a rebate to the shipper.

Senator HISCOCK. To the consignee or to the consignor?

Mr. POND. I supposed the consignee and the consignor were the same.

Senator HISCOCK. That makes no difference, but what you complain about is this: that where they do that with reference to international trade they are able to discriminate in favor of one United States road as against another United States road? That is what you claim.

Mr. POND. No; I do not claim that.

Senator HISCOCK. That is the only thing you can complain of, is it not?

Mr. POND. Not at all. It is not the discrimination in favor of one road in the United States as against another.

Senator HISCOCK. But if the United States roads have an even competition, or just competition, in carrying coal, or any other freight, to the Canadian line, why should the United States roads find fault with what is done on the other side?

Mr. POND. For various reasons. In the first place, there might be a discrimination in favor of certain purchasers in the United States if not in favor of certain roads transporting in Canada.

Senator HISCOCK. That does not affect the roads unless it has the effect of discriminating in favor of certain routes.

The CHAIRMAN. Is not this true in the coal case; that the published rate between a point in the United States and a point in Canada for the shipment of coal was so and so and that road pretended to be carrying coal at that rate between it and another road that published the same rate for the carriage between those points? Now, that road paid a secret rebate which made the rate actually paid less than the published rate, and the Grand Trunk claimed that it had a right to do that.

Senator HISCOCK. I can understand this, that there ought not to be such an arrangement and such rules and regulations as would prevent

an open and an even competition between American routes to the Canadian line; but I can not see what we have to do with, or what reason we have for interfering with, the traffic when it crosses the Canadian line, because then it is a question as between the Canadian road.

Mr. POND. If the Canadian roads can take business that comes from the United States out of this country and pay rebates on it in Canada, it can turn the great volume of export business through Canada. It can take the export business to Montreal.

Senator HISCOCK. No.

Mr. POND. Why not?

Senator HISCOCK. Because it does not touch export business.

Mr. POND. Oh, yes. I only gave the coal case as an illustration.

Senator HISCOCK. I can see an injustice in permitting them to allow rebates on Canadian business—on Canadian freights—where it is export trade; but I can not see any injustice in their allowing a rebate on goods consumed in Canada, unless their American connection gets some benefit from it, can you?

Mr. POND. I think I can.

Senator HISCOCK. I would like to have you point it out. Now, I never could see any injustice in that Buffalo case.

Mr. POND. I do not undertake to say that in the Buffalo case there was any injustice, and I will not undertake to say whether or not the principle involved was one that applied in other cases.

Senator HISCOCK. That principle would only extend to trade between here and Canada, and not the export trade.

Mr. POND. Why not?

Senator HISCOCK. The principle would not.

Mr. POND. Oh, yes.

Senator HISCOCK. The Commission was not called upon to decide in reference to export trade.

Mr. POND. They could possibly have decided that question without doing that.

Senator HISCOCK. Certainly. Now, we will go back to the other question. Can you, yourself, see any injustice in that matter?

Mr. POND. I see this injustice. How much of the business and traffic from the United States into Canada is traffic that originates with American shippers in which they are interested in the shipment to the Canadian point? The traffic is to Canadian points from American points, and unless the law applies in such cases there may be discrimination as between American shippers, and in the giving of rebates to the larger shippers that are not given to the small shippers. The Grand Trunk admitted in that case that it paid this rebate to large shippers.

Senator HISCOCK. So that would be a question as between our producers and not as between our railroads?

Mr. POND. That would be a question as between our producers and not a question as between our railroads; but this interstate commerce law was primarily for the benefit of producers.

Senator HISCOCK. Therefore you say this, that where the Canadian road is permitted to allow rebates to the producers, giving them rates below the published rates, and to discriminate in favor of one American producer as against another, that that works injury to the small American producers, and it ought not to be tolerated?

Mr. POND. Yes, and again the same principle works the other way. We purchase in Canada for consumers in the United States. Large purchases are made there. Now, can it be that under this act the Canadian railroads may discriminate up to the line in the United States be-

tween shippers in Canada to points in the United States? If that be so, would not there be some injustice?

Senator HISCOCK. The effect there would be as a matter of course to give an undue advantage to large purchasers on this side, because this discrimination in rates makes a lower price for the goods.

Mr. POND. In the coal case I said that the tariff was a joint tariff with American railroads, but the same thing might be done by the Grand Trunk among the roads it controls in the United States, and that would affect the other roads in the United States. It might be done in connection with the Chicago and Grand Trunk, and the Chicago and Milwaukee, and thus reach the entire traffic of the Northwest. If the law permits such a transaction as the one involved in the coal case it would admit of similar transactions in other traffic, and we assume that such transactions are taking place all the time.

Senator HISCOCK. And you say if that be tolerated the effect would be to divert the export trade from the United States?

Mr. POND. Yes, sir; to the extent of the capacity of the steamers that could be obtained to run from Montreal abroad, and in the same way to divert the import trade.

The CHAIRMAN. You have a line of steamers of your own, have you not?

Mr. POND. We have no steamers.

The CHAIRMAN. You know nothing about the water shipment, therefore?

Mr. POND. I know something about the water shipment.

The CHAIRMAN. Do you know anything about discriminations in the matter of transportation through the Canadian canals?

Mr. POND. No, sir; I do not, except what I have seen in the public prints.

STATEMENT OF WILLIAM G. BROWNLEE.

Mr. WILLIAM G. BROWNLEE, a lumber manufacturer of Detroit, appeared.

The CHAIRMAN. Do you reside here, Mr. Brownlee?

Mr. BROWNLEE. Yes, sir.

The CHAIRMAN. What is your business?

Mr. BROWNLEE. Manufacturing lumber principally and exporting it.

The CHAIRMAN. You heard the reading of the resolution under which we are acting, and have an idea of what we are endeavoring to ascertain, I suppose?

Mr. BROWNLEE. I was not in when the resolution was read, but I have a general idea of the line of inquiry.

The CHAIRMAN. If you have any facts to submit or any opinion to express on the general subject, you may proceed to do so.

THE QUESTION OF REBATES FROM THE GRAND TRUNK.

Mr. BROWNLEE. I have listened to Mr. Pond's statement in regard to discriminations on the part of the Grand Trunk. I have been a shipper over the Grand Trunk and other roads for a great many years, certainly for twenty years, and I have never received a cent from the Grand Trunk Railroad in the way of rebates, and quite recently we have been exporting by the Grand Trunk Railroad.

The CHAIRMAN. From where?

Mr. BROWNLEE. From Detroit.

The CHAIRMAN. To where?

Mr. BROWNLEE. Via New York to Glasgow.

The Michigan Central was very much troubled because our mill was on their line and we shipped by the Grand Trunk. I frequently assured the Michigan Central people, who used us nicely, that I would always give them the preference at the same price, and they did not understand why we shipped by the Grand Trunk. Our reason for so doing was because we got a better rate by the Grand Trunk Railroad. A few years ago the New York Central had an export agent, Mr. McIlhenney, who quoted high rates, and I warned the people here that he was dishonest and he was dividing up. He was the agent here for all these export lines from New York. After they had lost money they believed what I said of him, and I believe to-day the reason the Michigan Central has not got its proportion of the export trade is because their agents are inefficient or dishonest. I believe I am the largest exporter from this city. The Michigan Central charges $6 to shift a car a few yards on to the Grand Trunk line. If they had as honest agents as the agents of the Grand Trunk I would give them all my export business. That is the only way they can get it. It seems strange that since the passage of the interstate commerce act they fail to show a single instance where the Grand Trunk paid an American shipper a single cent of rebate.

The CHAIRMAN. You say you ship over the Grand Trunk altogether?

Mr. BROWNLEE. I have, this summer, simply because we are given a better ocean rate. The freight goes from Detroit over what is called the Great Western, which is a division of the Grand Trunk, and then by the Erie and West Shore to New York and thence by the steam-ship line with which they can make the best rate. We ask them for a rate on so many cars right through. The rate to New York is 19½ cents on our lumber, and the only difference is in the ocean rate. The inland rate is precisely the same by all the roads.

Senator HISCOCK. That is just what is complained of, that there is some arrangement between the Grand Trunk and the steam-ship line by which the Grand Trunk gets a rebate on ocean rates.

Mr. BROWNLEE. They warn us and write us. We can give you the written rates.

Senator HISCOCK. That is one of the very grounds of complaint, and you are the first witness who has expressed himself on the question. The manager of the Grand Trunk denied it. He said he knew of nothing of the kind, and yet the allegation was made to us that it was supposed that some arrangement was in force between the Grand Trunk and the foreign steam-ship lines by which the latter made some rebate to them, or else that some proportion of the land rate was given, so that they could make lower rates to you to ports across the ocean, and that is where it was claimed the cheat was.

Mr. BROWNLEE. That may be. Why I speak of the agent in New York is because in one instance I proved that he quoted us a higher rate than the steamer received. He pocketed the steal himself.

The CHAIRMAN. That individual steal?

Mr. BROWNLEE. Yes; but the railroad ought to have discharged him. I called their attention to his dishonesty years before. I have no means of knowing whether the steam-ship companies deal more liberally with the Grand Trunk than with other roads.

Senator HISCOCK. The American roads do not claim that they deal

more liberally with them, but what they assumed was this, that the Grand Trunk line gave to the steam-ship line a certain proportion of the rate. In other words, that there was some arrangement between the steam-ship company and the Canadian trunk lines by which the steam-ship company could afford to give the freight over the Canadian line a lower rate than they could freight coming over the American through line.

Mr. BROWNLEE. The American lines and the Grand Trunk ship by the same steam-ship lines. We have shipped by the way of Montreal sometimes, but not this season. The ocean rate from Montreal is about the same as from New York, and the inland rate a little less to Montreal than to New York, and I think that the Michigan Central and the Lake Shore, and all these roads ought to get just as good ocean rates as anybody else.

Senator HISCOCK. They can unless there is an allowance made by one trunk line to the steam-ship line, which would be cheating, of course, enabling them to make you lower rates than the other railroads.

Mr. BROWNLEE. It seems improbable, inasmuch as they send me these letters without any secrecy, which I should not think they would do if anything of that kind was being done.

Senator HISCOCK. But is it not remarkable that the steam-ship line can give you a lower ocean rate for your freight going over the Grand Trunk than they can for your freight going over the Vanderbilt system?

Mr. BROWNLEE. I do not know that it is. I have no means of knowing what is done in New York, but I frequently fix my ocean rate with a broker in New York. I can generally get the ocean rate in New York for less money than I can get from any of the railroads.

The CHAIRMAN. Make your own terms?

Mr. BROWNLEE. Yes, sir; it makes a good deal of difference who applies for the rates and to whom he applies. I think it is all in the efficiency of the agent. I know that these Grand Trunk people make a bigger effort for the export trade than any of the other roads. They send their men to our office and do everything they can to drum up the trade and inquire if we have anything going, and ask an opportunity to bid on it, and so on. I do not think the Canadian roads are discriminating, as far as I know. They are not giving any rebates to the shipper.

The CHAIRMAN. You say you never received any rebates in all your business transactions?

Mr. BROWNLEE. No, sir.

The CHAIRMAN. Never had any secret rates?

Mr. BROWNLEE. No, sir; nor any false billing.

The CHAIRMAN. Have you ever had any drawbacks?

Mr. BROWNLEE. No, sir.

The CHAIRMAN. You spoke of the Grand Trunk agents coming to you and asking you to let them bid on your freights; how is that?

Mr. BROWNLEE. All roads do that. It is the ocean rate that they bid on. The sea-board rate is fixed.

The CHAIRMAN. And the ocean rate varies?

Mr. BROWNLEE. Yes; varies from 15 shillings sterling a ton up to 22 shillings and 6 pence.

The CHAIRMAN. Depending on what?

Mr. BROWNLEE. On the amount of freight and the tonnage. When freight is dull they carry it for less, and when there is plenty of freight offering the rates are stiff.

The CHAIRMAN. Is there no understanding between the steam-ship lines as to the rates at which they carry?

Mr. BROWNLEE. Not that I know of. We ship by the Anchor Line because they land on the right side of the river in Glasgow, on the side our goods go.

EXPORT RATES OVER THE GRAND TRUNK AND AMERICAN LINES.

The CHAIRMAN. About how much do you find is the difference between shipping over the Grand Trunk and the American roads?

Mr. BROWNLEE. I once saved $1.25 per thousand feet, board measure, on the rate abroad. The Grand Trunk made that rate for me. The Wabash makes a rate for me sometimes. They make rates in the same way. The agent of the Wabash and the West Shore line makes it from Wabash open and then the ocean rate is added, showing how much the through rate is.

The CHAIRMAN. In your shipments there is a specific rate fixed for the inland transportation, is there?

Mr. BROWNLEE. Yes, sir.

The CHAIRMAN. And that is published?

Mr. BROWNLEE. Yes, sir.

The CHAIRMAN. Is the inland rate on all the roads alike?

Mr. BROWNLEE. Yes, sir; the only variation is in the ocean rate.

The CHAIRMAN. And you get an advantage of $1.25 per 1,000 feet by shipping over the Grand Trunk?

Mr. BROWNLEE. Sometimes we get that much; sometimes considerably less.

The CHAIRMAN. Do you ever get any advantage by shipping over the other lines?

Mr. BROWNLEE. Yes, sir; we have had lower rates over the Michigan Central and we then gave our freight to that line. I gave them some freight some time ago where the rates were exactly the same. We prefer to ship by the Michigan Central because we are located on the Michigan Central road and we are on very friendly terms with them and we want to patronize them. The trouble is that they want a new man in New York.

Senator HISCOCK. You think it is due more to the energy and activity and interest on the part of the agents in New York of these different lines that procure ocean rates than anything else?

Mr. BROWNLEE. I am satisfied that that is the only difference. When you have a man who stands up at Forty-second street and telephones down to the wharf to know what the steam-ship will take five or ten car-loads for, it is very different from a person going down and saying, "You can get this freight if you give us as low rate as anybody else." In a case like that where several lines are competing for it the result is very different.

The CHAIRMAN. What is the amount of your business?

Mr. BROWNLEE. We ship probably, for export, 120 or 125 cars a year. Our principal business, of course, is in the United States. We pay the Michigan Central folks more than anybody else. They bring us all our logs and all that sort of freight, and do our business at a satisfactory rate. They accused me of discriminating in favor of the Grand Trunk, but I have stated to them about as I have stated to you.

I think these Canadian roads are of the first importance to the city of Detroit and to Michigan and the Northwest. They have the shortest route. The Michigan Central has one of the levelest and shortest roads probably of the lot. If you were to discriminate against these Canadian roads and compel our freight to go around by the Lake Shore to Buf-

falo, which is 100 miles further, it would have the effect of raising the rates. The Canadian roads are not only shorter but more level and can haul freight cheaper than the roads like the South Shore. I should be very sorry to see any discrimination against the Canadian roads.

The CHAIRMAN. Or discrimination in their favor either?

Mr. BROWNLEE. Or discrimination for them either. I want perfectly fair play.

The CHAIRMAN. And you are willing to have them placed under the same regulations as the American roads, if it can be done?

Mr. BROWNLEE. Most assuredly, if it can be done.

STATEMENT OF DAVID EDWARDS.

Mr. DAVID EDWARDS, assistant general manager of the Flint and Pere Marquette Railroad, appeared.

The CHAIRMAN. What is your name, sir?

Mr. EDWARDS. David Edwards.

The CHAIRMAN. Where do you reside?

Mr. EDWARDS. East Saginaw, Mich. I am assistant general manager of the Flint and Pere Marquette Railroad.

The CHAIRMAN. Where does that run?

Mr. EDWARDS. From Monroe, on Lake Erie, to Ludington and Manistee, on Lake Michigan; to Bay City, on Lake Huron, to Port Huron; on the St. Clair River, and up to Port Austin, on Lake Huron.

The CHAIRMAN. Do you not run to Toledo?

Mr. EDWARDS. Yes, sir; but we do not own that line. We operate there on a traffic arrangement.

The CHAIRMAN. What have you to say about this subject?

Mr. EDWARDS. I have a good deal more to say than I will say. I will confine myself more particularly to the relations of our railroads.

Canadian transportation lines operating in the United States affect the commercial interests of the United States favorably, in my judgment.

Speaking especially of the railways running through Canada, so far as their relations with the railroads in Michigan and the shippers of Michigan are concerned, it would be most disastrous to the railways and the commercial interests of the State of Michigan, especially to the northern portion of the State, should the Congress of the United States enact any law that would prevent the Michigan Central and Grand Trunk systems from doing business in the United States (bearing in mind that when I speak of the Michigan Central Railroad I have reference only to that portion of their line owned between Detroit and St. Clair Rivers and the Niagara frontier) on precisely the same basis as American roads, and so far as my knowledge goes, the Canadian systems are willing to be governed by the same laws of transportation as are prescribed for the government of all interstate railroads.

I claim that traffic originating in the United States is not unnaturally diverted from the American lines by the Canadian lines. The traffic from northern Michigan destined to the Eastern States finds a more natural outlet via the Canadian lines than any other. The purely American lines via the south shore of Lake Erie secure a fair share of the traffic, and it would be a great hardship upon the shippers located on the lines of the railways in northern Michigan were they compelled to forward all their goods and products via purely American lines. Such a proposition would inevitably curtail the transportation facilities by

the loss of the equipment and the facilities furnished by the competitive Canadian roads or lines.

At present the company I represent, for the benefit of its system, and the manufacturers on its line, and the manufacturers of the great Northwest, whose property seeks an outlet via Milwaukee and Ludington over our railroad, are doing a very satisfactory interchange of traffic with all the Canadian lines leading east from the Detroit and St. Clair rivers, because we are enabled to give such shippers and manufacturers the benefit and choice of all the fast freight lines running east via the Michigan Central and the Grand Trunk systems, as well as via all the fast freight lines running east over the purely American railroads.

The Flint and Pere Marquette Railroad Company, the company I represent, has lately acquired a railroad system of 218 miles, which is a natural contributor to the Canadian lines so far as its eastern and sea-board traffic is concerned, its eastern terminus being Port Huron, on the River St. Clair. It not only is a natural contributor to the Canadian routes, so far as traffic originating on its line proper is concerned, but that portion of the acquired railroad (the Port Huron and Northwestern Railway), running from East Saginaw to Port Huron, Mich., forms part of a through short line route from the great Northwest. The distance from Milwaukee to New York via this route being but 928 miles——

The CHAIRMAN. From what point?

Mr. EDWARDS. From Milwaukee. We consider Milwaukee our western terminus, and through bills are issued from Milwaukee.

The CHAIRMAN. Proceed with your statement.

Mr. EDWARDS. The distance from Milwaukee to New York via this route is but 928 miles (or from Minneapolis to New York 1,273 miles), and if the Flint and Pere Marquette Railroad Company should adopt Manitowoc as the port at which to receive the northwestern traffic, the distance will be lessened 30 miles.

Were we compelled to forward our traffic via purely American railroads to the sea-board, our shortest distance from Milwaukee to New York would be 1,079 miles. Much of our east-bound traffic is forwarded via the Lake Shore and Michigan Southern, the Pennsylvania Company, and Baltimore and Ohio Railroad, but to be compelled to forward all via the south shore lines, would be very unjust to the company I represent, as well as depriving shippers of the choice of routes at equal rates for transportation. I say unjust to the Flint and Pere Marquette Railroad Company, because they would necessarily have to haul the property received at Milwaukee, coming from the Northwest, 83 miles further for the same earnings practically, and haul property originating at points on the line of its Port Huron and Northwestern Railway Division from 100 to 200 miles greater distance.

Any action on the part of our National Congress which will prohibit the Canadian system of railways doing business in the United States on the same basis as our American lines (having special reference to the railways connecting with our Michigan railroads, as the subject, so far as it relates to other portions of the United States has been very fully discussed by those immediately interested, and need not be gone over) would materially affect the passenger traffic of our State. At present the larger percentage of the passengers transported to and from the east, destined to and starting from points north and west of the line of the Michigan Central Railroad, make the journeys via the railroads passing through Canada, for the reason that they are the shortest routes, and furnish good facilities, all at reasonable rates.

I intended going a little further into statistics as far as northern Michigan is concerned, but I do not think it is essential here. A good deal more could be said, but there is not enough time.

The Flint and Pere Marquette Company are doing quite an extensive east-bound business. We have four steamers on Lake Michigan.

The CHAIRMAN. Do you own the steamers?

Mr. EDWARDS. Yes, sir. I might say that 50 per cent of our east-bound business from the Northwest, passing over our road, and that originating on the road, passes over the Canadian lines, that is, the Grand Trunk system and the Michigan Central.

The CHAIRMAN. What proportion of it goes by those steamers from Milwaukee?

Mr. EDWARDS. I have not the figures. I can give you the tonnage we handle across the lake for the Canadian lines. It amounts to between 50,000 and 60,000 tons a year.

The CHAIRMAN. Do you publish your rates from Milwaukee to whatever eastern point the goods are billed?

Mr. EDWARDS. Yes, sir. The rates from Milwaukee are the same as from Chicago.

The CHAIRMAN. Do you regard your steam-ships as much under the interstate commerce act as the railroad?

Mr. EDWARDS. Yes, sir; all our tariffs from Milwaukee are filed with the Commission.

The CHAIRMAN. Probably a little more than half of your business going east goes over the Grand Trunk, I suppose.

Mr. EDWARDS. That is, goes over the Canadian lines, the Michigan Central and the Grand Trunk—by fast freight lines over different roads. More than 50 per cent of the Northwestern business goes over the Canadian lines, and on east-bound business, lumber, and everything of that kind, originating on the road, of the total contribution of our road to the Eastern cities, between 50 and 60 per cent. passes over the Canadian lines.

The CHAIRMAN. Do you have any export business?

Mr. EDWARDS. Yes, sir.

EXPORT RATES OVER DIFFERENT LINES.

The CHAIRMAN. You heard the statement of Mr. Brownlee a short while ago as to the advantage that he seemed to get by shipping over the Grand Trunk. What is your experience on that score?

Mr. EDWARDS. We have no advantages. There may be an advantage by shipping over that line. There may be an advantage one day by one line and another day by another line. The export rates are quoted in the Northwest by the agents representing the fast lines. Through shipments from the Northwest, taking Milwaukee as the starting point, are solicited and contracted for by the agents of the fast lines, and they have their correspondents in New York, and get rates through the manager of the freight lines. The export traffic, as a rule, is contracted for by these fast lines. It would be an exceptional thing for our agent in Milwaukee to quote an export rate.

An agent representing the Erie Railroad to-day may quote a lower rate than the New York Central. To-morrow the New York Central agent may be able to quote or secure a lesser rate between New York and the foreign port for good reasons, and consequently can make a lower rate than the Erie, and then the New York Central will take the freight. That is not evidence that the rate is made by the railroad

companies; I do not believe that is so. I think rates are in a very good condition, and have been for the last few years.

The CHAIRMAN. You think there is no advantage to be had by shipping over the Grand Trunk?

Mr. EDWARDS. I do not think there is. There may be something in what Mr. Brownlee has said as to the anxiety of the agents of the Grand Trunk to secure freight. There is a good deal in that. An agent who will go to the steam-ship office in person and secure the rate is very likely to secure a better rate than the man who calls the steam-ship agent up on the telephone. You can look a man in the eye and get a little better rate than you can through the telephone.

REGULATION OF CANADIAN RAILROADS.

The CHAIRMAN. As a railroad man, would you have any objection to placing the Canadian railroads under the same regulation as the American roads are under?

Mr. EDWARDS. No, sir; not the slightest.

The CHAIRMAN. Do you think that ought to be done?

Mr. EDWARDS. Yes, sir.

The CHAIRMAN. Do you think that such action would injure anybody?

Mr. EDWARDS. No, sir; I do not.

The CHAIRMAN. Do you think it would injure the commerce of Detroit?

Mr. EDWARDS. I can not appreciate why it should.

The CHAIRMAN. You do not see why it should injure the commerce of Detroit?

Mr. EDWARDS. No, sir.

Senator HISCOCK. You have a good deal of trade with Canada?

Mr. EDWARDS. We have some; not a great deal. Some of our export business goes by Portland.

Senator HISCOCK. I mean goods exported from Canadian ports, or of goods that are consumed in Canada.

Mr. EDWARDS. At certain seasons we carry considerable provisions into Canada.

Senator HISCOCK. Now, then, do you know whether on that freight which is export freight, or that which is consumed in Canada, there is any allowance made to the consignee or the consignor from the published rates of Canadian freight?

Mr. EDWARDS. I do not know of a single instance.

Senator HISCOCK. If that were done you would regard it as unjust, would you not?

Mr. EDWARDS. Certainly.

Senator HISCOCK. It would be unjust to the American lines, and it would also be unjust to the American producers.

Mr. EDWARDS. Yes, sir.

Senator HISCOCK. And, on the other hand, if on freight coming from Canada into the United States there was that discrimination in favor of certain parties, it would be just as unjust as to have that discrimination between the producers and consumers in the different States?

Mr. EDWARDS. Yes, sir.

Senator HISCOCK. If that could be regulated, do you think it ought to be?

Mr. EDWARDS. Yes, sir.

Senator HISCOCK. I think you and I agree pretty well.

THE PAYMENT OF REBATES.

The CHAIRMAN. Is there any arrangement by which a Canadian—a man living across the line—can get a rebate, and by which he can avoid being detected in so doing where Americans would be detected if they did the same thing? Can any of you go on and disregard the law, pay rebates, or make secret rebates without being caught at it?

Mr. EDWARDS. Not on this side of the frontier.

The CHAIRMAN. How about the other side?

Mr. EDWARDS. That depends. If the man in Canada can be put on his honor I have no doubt it could be done. It is the same way here. It is a question of honor. If you say to him, "Here, I will pay you 5 cents rebate, and you say nothing about it," you have to depend on his honesty. I would not dare, and I do not think the railroad companies and their representatives to-day would dare, to make such a proposition. I think they are afraid to do anything of that kind. They are getting out of the habit of doing it.

The CHAIRMAN. It is getting to be a pretty serious thing to violate the law in that way?

Mr. EDWARDS. Yes, sir; it is.

The CHAIRMAN. You did a good deal of it before the law was passed, I suppose.

Mr. EDWARDS. Yes, sir, a good deal; and possibly I did my share of it.

The CHAIRMAN. I do not care to put you on the stand as to that matter.

Mr. EDWARDS. I am willing to admit my share. We all had our hands in it.

The CHAIRMAN. Is it not true that the manner of doing business by railroad men, consequent upon the passage and enforcement of the interstate commerce act, has been largely improved?

Mr. EDWARDS. I think so; at least in respect to maintaining rates.

The CHAIRMAN. And as to honest, open-handed dealing?

Mr. EDWARDS. I think so. The act has also had a good effect on the shippers. If a shipper comes into my office now and asks for a rebate or something of that kind, I say to him, "You do not want to go to jail with me?"

The CHAIRMAN. So you both conclude to leave it alone?

Mr. EDWARDS. Yes, sir.

STATEMENT OF WILLIAM J. SPICER.

Mr. WILLIAM JOHN SPICER, general manager of the Detroit, Grand Haven and Milwaukee Railroad Company, appeared.

The CHAIRMAN. Where do you reside, Mr. Spicer?

Mr. SPICER. In Detroit.

The CHAIRMAN. What is your business?

Mr. SPICER. I am general manager of the Detroit, Grand Haven and Milwaukee Company, general manager of the Chicago and Grand Trunk Railroad Company, and vice-president and general manager of the Muskegon, Saginaw and Toledo line.

The CHAIRMAN. I would thank you to proceed to state what you have to say on the subject-matter of this inquiry.

Mr. SPICER. I do not know that I have very much to say. I thought

when I came here this morning that the trouble was with reference to stopping the transportation of traffic through Canada, but I am happy to say that is not the case.

DENIAL OF CHARGES AGAINST THE GRAND TRUNK.

What I would like to do, though, is to deny some of the statements made by my friend, Mr. Pond. I was not here when he commenced his statement, but I give an unqualified denial of what I heard him state towards the close of his remarks.

The CHAIRMAN. As to what?

Mr. SPICER. As to charges against the Grand Trunk. He makes general statements which I am satisfied he can not prove. I refer to his charges to the effect that the Chicago and Grand Trunk and the Grand Trunk proper have been parties to paying rebates on through shipments.

Senator HISCOCK. He did not charge that.

Mr. SPICER. He charged general crookedness.

Senator HISCOCK. No, what he did was this, he charged that you made rebates on goods taken in Canada. Do you deny that?

Mr. SPICER. So far as concerns the shipment of the coal to which he referred that matter has been tried before the Interstate Commerce Commission and a decision has been reached. There is no doubt that a concession was made to a shipper on coal to some place in Canada on the ground that he was a large shipper and provided a special coal-yard and gave particular dispatch to the unloading of the cars. That is why the concession was made, and it was not considered at the time to be a violation of law.

Senator HISCOCK. Has there been any such concession as that since?

Mr. SPICER. No, sir; I think it was stopped as soon as the decision of the Commission was made known.

The CHAIRMAN. Then what you say is, that, so far as you know, you do not believe these violations of the act and these discriminations have been going on?

Mr. SPICER. I do not.

The CHAIRMAN. You could not say positively whether this is true or not in some other locality?

Mr. SPICER. I do not believe it is. I think that has been prohibited by Mr. Hickson, the general manager of the road.

Senator HARRIS. Is your position such that if discriminations were going on you would be likely to know it?

Mr. SPICER. Yes, sir.

The CHAIRMAN. Have you anything to do with the rates over your road?

Mr. SPICER. The rates are brought to my notice. We have a traffic manager in Chicago who regulates the rates under the Central Traffic Association.

The CHAIRMAN. What is the amount of tonnage that comes over your road from Chicago?

Mr. SPICER. Those statistics I expect to have ready for you when you reach Chicago. I could not give you the data here.

The CHAIRMAN. You will furnish them hereafter?

Mr. SPICER. I will furnish them when you reach Chicago.

The CHAIRMAN. What proportion of the business of this city and locality does your road transact?

Mr. SPICER. Do you speak of the Grand Trunk?

The CHAIRMAN. Yes.

Mr. SPICER. I am not prepared to answer that.

The CHAIRMAN. You heard a gentleman state here that there was no objection to the roads on both sides of the line being placed on an exact equality. Have you any objection to that?

THE GRAND TRUNK AND THE INTERSTATE LAW.

Mr. SPICER. I am quite sure that our desire is to observe the interstate commerce law in every particular. We have no desire to evade it.

The CHAIRMAN. How far do you regard the interstate commerce act as extending with reference to business going into and coming out of Canada?

Mr. SPICER. I understand that it extends to all business going through Canada from one United States point to another.

The CHAIRMAN. And not on traffic from the United States to Canada or from Canada into the United States?

Mr. SPICER. I think it applies to that business. I should so interpret it and I believe it is so interpreted by our people of the Grand Trunk.

The CHAIRMAN. Does that in any way operate in favor of your roads or against them?

Mr. SPICER. I do not think it is against the road. I think it leads to a maintenance of rates, a steadiness of rates, which is very desirable. The tariffs are published, and I think generally observed.

The CHAIRMAN. Do you know whether the rates through to Boston are less or greater now than before the interstate commerce act took effect?

Mr. SPICER. I think the through rates are steadier now than before the law was enacted.

The CHAIRMAN. How about the local rates?

Mr. SPICER. Our local rates in Michigan are very low.

The CHAIRMAN. Why?

Mr. SPICER. Because of the long and short haul clause.

The CHAIRMAN. If the interstate commerce act has had any effect at all it has been to leave the through rates about as they were before and to lower the local rates?

Mr. SPICER. Undoubtedly, sir.

The CHAIRMAN. So that the masses of the people in the country communities get the advantage of it?

Mr. SPICER. Yes.

THE GRAND TRUNK TRAFFIC OUT OF CHICAGO.

The CHAIRMAN. What is the percentage of traffic out of Chicago that the Grand trunk takes?

Mr. SPICER. The last few weeks it has averaged from 18 to 23 or 24 per cent.

The CHAIRMAN. What was it before that?

Mr. SPICER. It has fluctuated a good deal. Sometimes it has run as high as 30 or 40 per cent. At one time I think we ran up to about 60 per cent. That was, I may say, owing to a strike in Chicago when we controlled our men and were able to carry the freight, and consequently got it.

The CHAIRMAN. At that time the percentage went up very high?

Mr. SPICER. Yes, sir; went up pretty high. But we have facilities in Chicago that perhaps other roads have not, and that may be the reason why we secure a large proportion of the grain, for instance. We have our hopper scale weighing, which is very satisfactory to the shippers, and which some other roads have not.

Senator HARRIS. How do you account for that increase in the tonnage eastbound that lasted a month or so, running up to 39 or 40 per cent. of the whole?

Mr. SPICER. I do not know, unless our shipments went to New England points, and we reach those points more readily than others. We have our friends in Chicago who give us business, perhaps, that other roads will not get. Our agents are pretty active in soliciting freight, and go around and make friends among the shippers. The shippers like to be waited upon. We like to serve the public, and our agents are energetic in looking after business.

Senator HARRIS. Are the local rates lower than the special rates that were given to large shippers before the law took effect?

Mr. SPICER. They are much lower than they ever were.

Senator HARRIS. Your road does a large share of the dressed-beef business, does it not?

Mr. SPICER. You are speaking of the Chicago and Grand Trunk out of Chicago?

Senator HARRIS. Yes. Do you do the larger share of it?

Mr. SPICER. No, I do not think we do. I think we do about 24 per cent. of it.

Senator HARRIS. You pay no drawbacks?

Mr. SPICER. None whatever, sir.

Senator HARRIS. Are you doing it under special contracts made some years ago?

Mr. SPICER. No, sir; we do it according to the tariffs established by the Chicago committee of the Central Traffic Association. They regulate rates.

Senator HARRIS. I suppose you can furnish this information that has been called for?

Mr. SPICER. Yes, sir; that will be ready when you go to Chicago.

THROUGH AND LOCAL RATES.

Mr. EDWARDS. Mr. Chairman, if I may be permitted to do so, I would like to ask Mr. Spicer a few questions.

The CHAIRMAN. You can do so.

Mr. EDWARDS. You testified that the through rates had not changed in the period since the operation of the interstate commerce law, but that the local rates have been reduced very materially.

Mr. SPICER. Yes.

Mr. EDWARDS. Will you please state why the local rates have been reduced? Is it owing to the fact that they were too high prior to the application of the interstate commerce act, or owing to the long and short haul clause?

Mr. SPICER. I have said that it was owing to the long and short haul clause. The rates were never too high and are much too low now—ruinously low.

Mr. EDWARDS. You must scale your rates down.

Mr. SPICER. Yes, sir; in conformity with the short and long haul clause.

The CHAIRMAN. On the average, your road is doing about as well now as before the law was enacted?

Mr. SPICER. No, sir; not locally; we are doing much worse.

The CHAIRMAN. I mean with respect to gross earnings.

Mr. SPICER. No, sir; very much lower. The Detroit and Milwaukee earnings have been very much lower on account of the local business having to be done at such reduced rates.

At 4 o'clock p. m. the committee adjourned until to-morrow at 10 o'clock a. m.

DETROIT, MICH., *July* 12, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

STATEMENT OF HENRY W. SEYMOUR.

Mr. HENRY W. SEYMOUR, a representative of the Chamber of Commerce of Sault Ste. Marie, appeared.

The CHAIRMAN. What is your name?

Mr. SEYMOUR. Henry W. Seymour.

The CHAIRMAN. Where do you reside?

Mr. SEYMOUR. Sault Ste. Marie.

The CHAIRMAN. What is your business?

Mr. SEYMOUR. I am not in any special business. I have business interests. I have been in the lumber business.

The CHAIRMAN. You have been listening somewhat to the statements of the different gentlemen who have appeared before the committee, and know the purport of the resolution under which the committee is acting. Will you please give us any facts you may possess and any views you may desire to express on the subject?

Mr. SEYMOUR. Mr. Chairman and gentlemen of the committee, I am here to-day in connection with two other gentlemen as representatives of the Chamber of Commerce of Sault Ste. Marie. Resolutions in regard to this matter have been forwarded to your committee, and I will read them at this point:

Whereas, it is believed by this chamber that it is unjust to that portion of the United States known as the "Great Northwest," that any legislation tending to restrict transportation between the seaboard and the Northwest, or between the Northwest and the seaboard; therefore be it

Resolved, That the Chamber of Commerce of the city of Sault Ste. Marie, Mich., most earnestly protest against any legislation on the part of the United States that shall tend in any manner to discriminate in favor of any line of transportation, or to deprive any citizen of free, unrestricted transportation of western products over the great central line of transportation from the Northwest to the East or from the East to the Northwest, over any and all lines of transportation, be the same Canadian or American lines, and that a copy of this resolution be transmitted to Senator Cullom for presentation to the committee now engaged in considering the transportation question.

I, C. D. Dowling, secretary of the Chamber of Commerce of Sault Ste. Marie, Mich., hereby certify that the above is a true copy of the resolution adopted by the chamber May 2, 1889.

[SEAL.] C. D. DOWLING,
Secretary.

SAULT STE. MARIE'S RAILROAD CONNECTIONS.

We are specially interested in this question. Within twelve or eighteen months at the most two lines of railway have been built from the

West, one from Minneapolis and the other from Duluth, converging at Sault St. Marie and crossing the international bridge into Canada.

The CHAIRMAN. Give the length of each of those lines.

Mr. SEYMOUR. From Duluth to Sault St. Marie is about 400 miles, and from Minneapolis about 500 miles. Those lines connect with the Northern Pacific and with the great West. Connecting with the international bridge on the Canadian side, has recently been constructed a branch of the Canadian Pacific, connecting with the main line at Sudbury Junction.

The CHAIRMAN. How long is that branch road?

Mr. SEYMOUR. The length of that line to the main line must be in the neighborhood of 200 miles. At Sudbury Junction it connects with the main line, which runs around Lake Superior. About July 1, that road commenced running through passenger trains between Boston and the West.

Senator REAGAN. The 1st of July of this year?

Mr. SEYMOUR. Yes, sir; there are no statistics showing the volume of business upon the railway, but being, as might be said, an air-line with Puget Sound, Tacoma, Portland, etc., it is easy to believe that it would naturally receive a large portion of the business from its being a shorter line to the East. There are connected with that road some obstacles—the cold climate in winter, and the greater cost of running trains through that colder climate; and it seems to us that any restriction put upon transportation between Canada and the States would operate very strongly not only against us locally, but against the entire Northwest.

I would say that our city has grown very rapidly recently on account of the rail connections made there.

The CHAIRMAN. What is the population of your city now?

Mr. SEYMOUR. About 12,000, I think. We are now building a water-power canal of about 300 feet width to utilize the water of Lake Superior for milling and manufacturing purposes, under the impression that the rail transportation interests, would not be disturbed. We expect to be able to mill flour there and send it through the Canadian connections to the New England States and distribute it through the Eastern States, and also send some to Europe. We have regarded this question of the transportation interests with foreign countries, or with Canada rather, as international, and therefore we have considered that no legislation should be had, but if any injury in any way is inflicted upon any class of our people that it should be remedied rather by treaty regulation or by treaty between the two powers, by which both would have a hearing, and a mutual adjustment of all things could be had and no injury done. That has been the view which we have taken of this question, and in taking that view we formulated the resolutions which I have read, opposing restrictions upon transportation interests between this country and Canada.

A NEW CANADIAN CANAL.

If restrictions were placed upon the Canadian roads it would perhaps drive the Canadians to increase the facilities of the Welland Canal and the canal through the St. Lawrence, and tend to drive business largely in that direction. Since the talk of retaliation commenced I think the Canadians have begun the construction of a canal on the other side of the river opposite the United States, the St. Mary's Falls Canal, so as to have their own means of transit between Lake Superior and Georgian Bay and Lake Huron. The contract for that canal has been made.

The CHAIRMAN. Where is that canal to be located?

Mr. SEYMOUR. At Sault Ste. Marie, on the other side of the river, running through Canadian territory. It is a short canal.

As no rail statistics can now be had, on account of the but recent construction of the road, I will refer to the canal statistics, showing the growth of the Northwest and the increase of business.

TONNAGE PASSING THROUGH ST. MARY'S FALLS CANAL.

In 1855 the St. Mary's Falls Canal was opened to business, and the registered tonnage passing through that canal during the year from the northwest and the east was 106,296.

Senator HARRIS. When was that?

Mr. SEYMOUR. In 1855, the first year of the opening of the St. Mary's Falls Canal. In 1881 a new lock, which was constructed by the United States, was completed, but it was not opened until September of that year. I will therefore give the amount of tonnage passing through in 1882, after the new lock was constructed.

In 1882 the registered tonnage passing through that canal was 2,468,088. The actual freight was 2,029,521 tons—the actual freight as distinguished from the registered freight.

A new lock is now being constructed to meet the greater wants of navigation. Freight was cheapened through that route by the construction of the new lock, because it admitted vessels drawing 16 feet of water, while the first canal allowed vessels drawing only about 12 feet. Now, owing to the increase of business the carriers are made so large that they are dragging upon the miter-sills of the locks, and a regulation as to the loading of vessels is made, so that they will not be loaded too deeply and thus catch upon the miter-sills of the lock, delaying the passage of the vessels.

I have not, nor has it yet been given, the actual registered tonnage for the calendar year 1888. I have thus far given the freight and registered tonnage for the calendar years. I have the freight and registered tonnage for the fiscal year ending June 30, 1889.

The registered tonnage for that period was 6,213.494; the actual freight passing through was 6,932,203—nearly seven millions of tons—showing that the percentage of growth is upon each year's business, not upon a previous year; but I think the lowest increase since 1882 was 13 per cent., and it has run up as high as 40 per cent., and still the business of the succeeding year increases over that. That shows the business interests of the Northwest. I think Duluth is now the largest wheat shipper of any port in the United States.

The CHAIRMAN. The business interests as indicated by commerce upon the water?

Mr. SEYMOUR. Yes, sir; which then was the only method of transportation to the East. I think this should have some bearing upon the question of the increase and the possible growth of railway transportation through that section, as it is the shorter line, and as the Eastern States can be readily reached by it.

REGULATION OF THE CANADIAN ROADS.

Any restrictions which the Congress of the United States might put upon this business without consulting the interests, and wishes perhaps, of the Canadian people, and fixing some equitable rule, would perhaps

result in retaliatory measures, or in such a feeling of hostility as would injure the interests of the consumers and producers of this country.

I suppose the interstate commerce law was formulated for the benefit of the consumers and producers, and while under any law perhaps some injury might be inflicted upon certain classes of people, as there are always exceptions to the rule, yet the greater interests should govern, and the large interests of the consumers and producers of the Northwest should not be affected injuriously by any legislative regulation or by any laws which would simply benefit some railroad or some inferior interests. I have therefore thought that the proper method to regulate these transportation interests was by treaty, by some conference between the two countries.

It would be very disastrous to the Northwest and to the men going into that newer portion of the country, which is the wheat-producing section of the United States, the grain-producing section largely, who have the advantages of low rates and natural routes, and as much competition as possible, if any restrictions were placed upon the Canadian roads, and great care should be taken to avoid placing any restrictions upon them which would tend to injure the people of the Northwest.

This question, therefore, becomes a national one; it affects the northern portion of this country more than the southern part, because the carriers come into the northern section from Buffalo, or a little below, and then take the grain to the sea-board.

The CHAIRMAN. How far is Sault Ste. Marie from Minneapolis?

Mr. SEYMOUR. About 500 miles.

The CHAIRMAN. What means of outlet to the east have you aside from the Canadian Pacific and its connections there?

Mr. SEYMOUR. We have only water communication, except as we could go across the Straits of Mackinaw, which connects Lake Michigan and Lake Huron, and is about 7 miles wide at the narrowest point, I think—6 or 7 miles wide. On account of this crossing cheap freights can not be had to the eastward.

The CHAIRMAN. What is the length of the canal you have referred to?

Mr. SEYMOUR. I think it is 1 mile.

The CHAIRMAN. What progress has been made on the Canadian ship-canal north of you?

Mr. SEYMOUR. The work was commenced this spring, and it is now being dredged out.

The CHAIRMAN. What will be its length?

Mr. SEYMOUR. I suppose about the same distance as our canal—a mile.

The CHAIRMAN. What is the purpose of the building of the Canadian canal?

Mr. SEYMOUR. To allow the passage of Canadian vessels from Canadian ports or any ports around the rapids of St. Mary.

The CHAIRMAN. For the purpose, mainly, of having a canal of their own on Canadian soil and within their jurisdiction?

Mr. SEYMOUR. Yes, sir. To show you one effect, I think some British or Canadian soldiers were sent to Manitoba at one time, and permission was refused for their passage through the canal, as I understood, and so they were landed at the Canadian Sault and sent around above the rapids on Canadian vessels again and taken to Manitoba.

The CHAIRMAN. Does it not seem apparent to your mind that the British Government or the Canadian Government is determined upon a

policy that will make its transportation interests entirely free of any United States interference?

Mr. SEYMOUR. I suppose that they would like to be independent in case of any controversy between the two countries.

The CHAIRMAN. Are they not determined upon building up Canada, and doing it without reference to the United States, except to make themselves entirely independent as a separate government?

Mr. SEYMOUR. I suppose each country is endeavoring to advance its own interests and give its citizens all possible transportation within its own borders.

The CHAIRMAN. How long have you lived at Sault Ste. Marie?

Mr. SEYMOUR. Since 1872.

The CHAIRMAN. In your judgment, was not the construction of the Canadian Pacific entered upon largely with reference to tying the Canadian Government together and for military purposes, more than for anything else, in the beginning?

Mr. SEYMOUR. I suppose it was built with the idea of connecting the interior of the Dominion, so that Manitoba should not feel that she was isolated from the other portion of the Dominion.

Perhaps it does not affect the question very materially, but I desire to say that I think it was about ninety years ago when the Northwestern Fur Company, the predecessor of the Hudson Bay Company, built a canal on the Canadian side, with a lock 39 feet long and 8 feet wide, and an 8-foot lift.

The CHAIRMAN. How far was that canal built above where the Canadian Government intends to build the canal we have spoken of?

Mr. SEYMOUR. About the same place. I simply mentioned the fact of that canal being built by the Northwestern Fur Company as a historical fact.

The CHAIRMAN. The traffic of the Canadian Pacific at present, so far as it comes from below Detroit, has to come through our canal?

Mr. SEYMOUR. Yes, sir. In relation to that I would say that I think by a treaty arrangement the United States and Canada allowed the same privileges to the citizens of the other country as they gave to their own citizens. When this canal was transferred to the United States by the State of Michigan, it was upon the condition that it should be free and open to all, and of course Canadian vessels went through free.

The Canadian laws, so far as Canadian canals are concerned, are different. There is a freight charge for passing through the Welland Canal, and I think an injustice was done American vessels in that respect.

The CHAIRMAN. How was an injustice done American vessels?

Mr. SEYMOUR. By giving a rebate of 90 per cent. to those vessels unloading at Canadian ports. I understand, however, that has been taken off, and Canadian vessels have to pay the full amount.

The CHAIRMAN. Are you familiar with the shipping interests?

Mr. SEYMOUR. No, sir; not largely.

The CHAIRMAN. Do you understand that there is any discrimination against American shipping which does not go down their canals to Montreal?

Mr. SEYMOUR. I could state positively as to that. I understood that the discrimination was done away with, and that they charge the vessels of both countries the same rate, and that no rebate is given.

The CHAIRMAN. No rebate given to the vessels of either country?

Mr. SEYMOUR. No, sir.

The CHAIRMAN. Do you think that Canada would have any right to

find fault with the American Government if the latter saw proper to exact such regulations of the carriers of American products in Canada as it exacts of the American railroads?

Mr. SEYMOUR. Well, I think first we should consider its effect upon the American producer and consumer.

The CHAIRMAN. Of course.

Mr. SEYMOUR. If the present condition of affairs operates to favor us, we should be careful as to what restrictions we place upon the Canadian roads. However, I think we ought to do that which is to the interest of our own people.

The CHAIRMAN. You believe in our taking care of our own people?

Mr. SEYMOUR. Yes, sir.

The CHAIRMAN. But do you think that Canada would have any reason to complain if we insisted upon the same restrictions and regulations being placed upon their roads, if they do business in the United States, as we place upon our own roads, in order that the American roads may be at no disadvantage in competition with the Canadian roads?

Mr. SEYMOUR. I suppose we should consider the interests of the producer and consumer first.

The CHAIRMAN. We are considering that; but I ask you the question whether there is any reason why the same conditions should not be placed upon the roads of both countries if Canadian roads are allowed to do business in this country?

Mr. SEYMOUR. I did not know that any particular restrictions had been placed upon the American roads.

The CHAIRMAN. They are regulated under the interstate commerce act. You know that, I suppose.

Mr. SEYMOUR. Yes, sir. But that, I suppose, was intended to regulate commerce as between the States.

The CHAIRMAN. You understand, I take it, that Congress has the right to regulate commerce between the States and between this country and foreign nations.

Mr. SEYMOUR. Yes, sir.

The CHAIRMAN. Now, if the American Government sees proper to regulate its own roads, and the Canadian roads are not regulated with respect to American business, the American roads may thereby be put to a disadvantage in competition with the Canadian roads. Do you see any reason, therefore, why the Canadian Government should complain if their roads should be placed upon exactly the same level as the American roads with respect to the business they do in the United States?

Mr. SEYMOUR. To go back a little, I think that the American roads are in a measure in the hands of foreigners. The bonds are largely held by foreigners, as is also a large portion of the stock. So our interests are to a certain extent, as I said before, the same. I think that Congress should not pass upon this international question, but that it should be regulated by treaty; that Congress should be loath to touch any question that affects the interests of the one nation and the other. If anything is to be done it should be brought about by treaty, so that both interests would be protected.

The CHAIRMAN. You are not concerned specially about anything except what affects your own people, are you? If anything were done by the American Congress that should protect the American people and at the same time place the Canadian roads on the same level as the American roads, you would not object to that, would you?

Mr. SEYMOUR. No, sir; but I have always taken the view that Congress should not legislate on that subject. I have always been under the impression that it should be remedied by treaty.

The CHAIRMAN. What does it matter whether it be done by Congress or by treaty, so long as the American people are taken care of?

Mr. SEYMOUR. I think it would be better if it were done by conference, and then there would be a better feeling manifested when both parties were heard in conference.

Senator REAGAN. If States grant charters to aid Canadian corporations and allow them the benefit of our commerce and at the same time give them advantages that are destructive of the interests of American roads, do you think that Congress could apply a remedy?

Mr. SEYMOUR. I do not know of any State in the Union which has granted a charter particularly to foreigners as foreigners; but simply granted the charter for the benefit of our own people. Particular roads were organized under state laws and under general laws and a portion of the stock was taken by foreigners, and our people have been very anxious to build railroads with the aid of English capital. When the construction of an American road has been proposed the promoters have generally gone to England to see if they could not get the money to build it.

Senator REAGAN. Are you able to state whether the Canadian people or the people of the United States own the larger portion of the stock of the roads from St. Paul to Sault Ste. Marie and from Duluth to Sault Ste. Marie?

Mr. SEYMOUR. I am not able to state from actual knowledge how that is.

Senator REAGAN. The two roads which run between the points mentioned belong practically to the Canadian Pacific, do they not?

Mr. SEYMOUR. I understand the Canadian Pacific has an interest in them, and perhaps controls them, although I think Hon. James McMillan, a United States Senator, is president of the Duluth and South Shore Railroad Company. A portion of the road was built into Marquette as an American road and received a grant of swamp lands, but I have no doubt they got capital from abroad for continuing the building of the road. I understand that Mr. Washburn, also a United States Senator, is president of the other road running into Duluth, showing that the road is under the management of Americans while the capital in it may be largely foreign.

The CHAIRMAN. I think Mr. Van Horne stated that the same control obtains over those two roads as over the Canadian Pacific.

Mr. SEYMOUR. Yes, sir.

Senator HARRIS. When the chairman asked you awhile ago whether you did not think it would be proper to subject the Canadian roads which do business in this country in competition with the American roads to the same regulations to which the American roads are subjected, your answer, if I understood you, was, that you did not think it would be proper for Congress to take any action upon that subject, and that if it were touched at all it should be regulated by treaty. Now, suppose we assume your attitude, and this Government were negotiating with the Canadian authorities on this question, do you not think every consideration of justice and equity would require this Government to insist upon subjecting these Canadian roads which do business in competition with the American roads to precisely the same regulations as the American roads are subject to?

Mr. SEYMOUR. All roads operating in the United States in which

Canadians are interested or which are under Canadian control were built and constructed, I suppose, under State charters, and are liable to the interstate commerce law, so far as they exist or have been constructed or are run within the United States. When you leave the border, then, of course, they are built under Canadian charters, and when you leave the border the question ceases to a certain extent to be an interstate question, and becomes an international question. So that I would make a distinction between the interstate and international traffic or carriers. Of course all roads within the United States are subject to the interstate commerce law, but when you get into Canada then they are Canadian roads and subject to Canadian laws, and the question would be more easily and better reached by treaty, I should think.

Senator HARRIS. But suppose you are to-day the agent of the United States to treat with Canada upon this precise question, would you insist upon subjecting the Canadian roads doing business in competition with our roads to the same regulations as our roads are subject to, or would you insist upon giving Canadian roads advantages over our own roads?

Mr. SEYMOUR. If the question came to me in that way, then I would endeavor to see to it that American interests did not suffer, because there would be a place where all these questions would come up and be remedied. Certainly as Canada has interests connected with us in this country it is to her interest to have this question settled amicably between the two countries, and I think in a proper tribunal American interests would not suffer, while the subject would be better reached.

Senator HARRIS. But if by treaty or otherwise you give advantages to the Canadian roads operating in competition with our roads, which put our roads at a disadvantage in that competition, would you not decide that American interests should not suffer by any such condition of affairs?

Mr. SEYMOUR. That is what I say; I should see that American interests were protected.

Senator HARRIS. If that be true, then, as the representative of this Government in negotiating upon that question, you would insist on the Canadian roads doing business in competition with our roads being subject to precisely the same regulations as our roads are subject to.

Mr. SEYMOUR. I should endeavor certainly to see that justice was done to our people, but I should not want to settle that question there.

Senator HISCOCK. Let us meet the question fairly and not have any dodging in any way by general remarks. I will ask you this question, are you in favor of legislation by Congress which discriminates against American roads and in favor of Canadian roads?

Mr. SEYMOUR. I am not in favor of any additional legislation.

Senator HISCOCK. I am not asking you that question. Whether the present legislation has that effect or not, are you in favor of any Congressional laws that discriminate in favor of Canadian roads as against American roads? That is a very easy question to answer.

Mr. SEYMOUR. I suppose you mean additional legislation?

Senator HISCOCK. I do not limit it to additional legislation. I take the law as it stands, or as it may be made. I ask the question squarely, not in reference to legislation to be had, but in reference to the law. Are you in favor of a Federal law which discriminates in favor of Canadian roads and against our own roads? As an abstract question, I ask you if you are in favor of a Federal law that discriminates in favor of Canadian roads as against American roads?

Mr. SEYMOUR. I am not in favor of a Federal law that discriminates in favor of any nationality or people as against our own; but I should not be in favor of any legislation by our own people as a body which would not benefit the producer and consumer.

Senator HISCOCK. I do not suppose any one is; but if it is true that there is to-day Congressional or national legislation the effect of which is to discriminate against the American trunk lines and to be absolutely in favor of the Canadian trunk lines, are you in favor of that condition continuing?

Mr. SEYMOUR. I did not know that any large class had made any complaint against the interstate commerce law.

Senator HISCOCK. I am not asking you whether they complain or not. I am not discussing that question, but I simply ask you whether this unfavorable condition should remain?

Mr. SEYMOUR. I should not want to do a greater evil for the purpose of accomplishing a lesser good.

Senator HISCOCK. I ask whether, if there is Federal legislation which in effect discriminates against our roads—I am not saying there is; I do not allege there is; that is another question—but I say, assuming there is a Federal law which discriminates against our own roads and in favor of Canadian roads, are you in favor of its remaining unrepealed? That is a very plain proposition.

Mr. SEYMOUR. It is a very broad question.

Senator HISCOCK. I beg your pardon; it is not a broad question.

Mr. SEYMOUR. I do not know that any law could be passed. I can say this, that I should not favor any legislation which would——

Senator HISCOCK. That is not answering my question. I am not discussing the question of the conditions. I would simply like to have your opinion as an American citizen.

Mr. SEYMOUR. I simply desire to state this, that I do not think the interstate commerce law ought to be amended so as to affect that question.

Senator HISCOCK. I would like you to give me simply your opinion on the question I have asked you, and if you do not wish to do so you need not.

Mr. SEYMOUR. I am not in favor of amending the law or changing it.

Senator HISCOCK. That is not the point I am after.

Mr. SEYMOUR. I am looking at the roads as they affect the people to-day.

Senator HISCOCK. Why not let me have your opinion as a statesman upon the question I put to you?

Mr. SEYMOUR. I would not want to jeopardize a million interests. If it would cause greater evil than good, then I would not legislate.

Senator HISCOCK. I want your opinion on the one question I asked you.

Mr. SEYMOUR. I think that so far as concerns the people of the Northwest and the people I represent they do not desire any change of legislation.

Senator HISCOCK. Will you answer my question directly? If not, I am content to leave the matter as it is.

Mr. SEYMOUR. I thought I had answered your question, Senator, by stating that I did not think the present law needed any amendment, but if there be any evils they should be amended by conference between the two Governments.

Mr. HISCOCK. There is a more summary way of treating the subject. If our railroads are laboring under an oppressive law and a law which operates in favor of Canadian roads in competition with them, they can

be relieved of it in two ways and promptly. Our roads may be relieved either by putting the Canadian roads on the same basis as our own roads or by repealing the law. Now the question I ask you is whether you are in favor of absolute equality between the two systems, so far as the law is concerned, or if you are in favor of discrimination in favor of Canada?

Mr. SEYMOUR. I am not in favor of any discrimination in the interest of Canada; and I am not in favor of amending the law.

Senator HISCOCK. If it is true in point of fact, I am not going to discuss whether it is or not—that is another question—that the American roads are laboring under a heavy burden and an onerous restriction and the Canadian roads are not—and bear in mind I am not discussing the question whether that is true or not, but assuming it—do you tell me you are not in favor of changing it?

Mr. SEYMOUR. I do not like to answer any suppositious question, but only confine myself, as your questions confine me, to the law as it exists. In regard to the present law, I say our people are not in favor of amending it in any way, and if any remedy be necessary that the change be made by treaty or conference.

Senator HISCOCK. That is another question to be proved by facts. I do not know whether it has been proved or will be proved, but if it be true the question I would like you to pass upon is whether, if the Congress of the United States should find as a fact that there were discriminations in favor of the one system of roads as against the other, you are in favor of equalizing it or not.

Mr. SEYMOUR. I would rather not answer as to suppositious questions.

Senator HISCOCK. You have no answer to make to the questions put?

Mr. SEYMOUR. I thought I had answered them.

The CHAIRMAN. As you do not seem disposed to answer these questions I suppose we had better touch upon another point.

Mr. SEYMOUR. I thought I had answered as far as I could.

The CHAIRMAN. I will ask you about the bridge at the Sault. Who owns it?

Mr. SEYMOUR. It is owned by a bridge company, I think. I do not now know who is the president. I think Mr. MCMILLAN has an interest in it. As I understand, it is owned by different interests connected with different roads.

The CHAIRNAN. What road or combination controls it?

Mr. SEYMOUR. I could not say, but I should think Mr. Newberry, who was instrumental in pushing the law through Congress, would have some interest in it, and I think Detroit interests are behind it.

The CHAIRMAN. Does the Canadian Pacific, in conjunction with these two lines, one running to Minneapolis and the other to Duluth, control the bridge?

Mr. SEYMOUR. Of course it is a United States bridge, and the law itself provides that the charges shall be reasonable and so forth.

The CHAIRMAN. Are there any further suggestions you would like to make?

Mr. SEYMOUR. I do not want to be put on the record as stating that I am opposed to American interests, for I think that American interests should be protected. I do not think, however, that American interests are injured in the present situation, and I think that the interests of the producer and consumer should be at the bottom of all legislation that affects transportation interests in this country.

STATEMENT OF RANDALL G. BUTLER.

Mr. RANDALL G. BUTLER, division freight agent of the Wabash Western Railway, appeared.

The CHAIRMAN. Where do you reside, Mr. Butler?

Mr. BUTLER. In Detroit.

The CHAIRMAN. What are your business engagements?

Mr. BUTLER. I am division freight agent of the Wabash Western Railway.

The CHAIRMAN. As a railroad man representing th .bash, or, for that matter, any other interests that you may represe. , .hat have you to say in reference to the question under discussion?

Mr. BUTLER. I do not know that I have any special opinions beyond the fact that I should dislike very much to see any restrictions placed upon commerce through Canada that would prove an injury to the lines in Michigan or the lines working through Michigan. I am heartily in favor of such restrictions being put on the Canadian lines as will place them on a plane of absolute equality with their American competitors, if that regulation does not already exist.

The CHAIRMAN. If it does not exist you are in favor of whatever may bring about that condition?

Mr. BUTLER. Yes.

The CHAIRMAN. What is your judgment as to whether there is any disadvantage to American roads under the existing law and conditions in competition with Canadian lines?

Mr. BUTLER. The Canadian lines have not, to my k wledge, taken advantage of any restrictions which have been place n the American lines. I am very frank to say that, in my judgme. , if I were in charge of Canadian lines doing business wholly across the Dominion territory, and I so desired, I could find a way, perhaps, to deprive the American lines, owing to the restriction under which they are placed, of a very large amount of traffic without fear of the same punishment that would be inflicted on American lines if they did the same thing.

Senator HISCOCK. You say you could find a way to do certain things, but as a matter of fact you would not do that, would you?

Mr. BUTLER. I do not know. I have never viewed it from a Canadian stand point.

The CHAIRMAN. What are your Wabash connections at Detroit?

Mr. BUTLER. The Grand Trunk almost exclusively.

The CHAIRMAN. Connecting where?

Mr. BUTLER. At Detroit through river ferry.

The CHAIRMAN. You carry goods from here and from Chicago through to Eastern ports?

Mr. BUTLER. Yes, sir, very largely from Chicago.

The CHAIRMAN. For export?

Mr. BUTLER. Yes, sir, very largely.

The CHAIRMAN. Is there any difference in your transportation charges between goods shipped for consumption in the United States and goods shipped for export?

Mr. BUTLER. Not that I am aware of.

The CHAIRMAN. Who owns the line from Port Huron to Chicago?

Mr. BUTLER. The corporation, I think, is known as the Chicago and Grand Trunk.

The CHAIRMAN. But it really belongs to the Grand Trunk proper, does it not?

Mr. BUTLER. I have no positive knowledge that it does, but I so understand it.

The CHAIRMAN. You are not traffic agent on that particular line?

Mr. BUTLER. No, sir.

THE GRAND TRUNK AND THE INTERSTATE LAW.

The CHAIRMAN. Have you ever observed any conditions in dealing with the traffic of the country that indicated to your mind that the Canadian roads—the Grand Trunk from here, for instance—violated the interstate commerce act?

Mr. BUTLER, I have not.

The CHAIRMAN. Do they profess to observe the act with respect to shipments from all points in the United States?

Mr. BUTLER. They have always professed, in all the negotiations I have had with them, to observe strictly the provisions of the interstate commerce law.

The CHAIRMAN. The substance, then, of what you desire to say is, that if the American lines are now at a disadvantage owing to American regulations as between themselves and the Canadian lines, the Canadian lines ought to be put upon the same level.

Mr. BUTLER. Decidedly so.

The CHAIRMAN. The same restrictions and regulations should be placed upon them as exists with reference to the American lines, you think?

Mr. BUTLER. I think so.

THE INTERSTATE-COMMERCE LAW.

The CHAIRMAN. Do you find any embarrassment in operating the Wabash line on account of the interstate commerce act?

Mr. BUTLER. I do not.

The CHAIRMAN. Do you think what is commonly known as the long and short haul clause operates to the disadvantage of the railroad?

Mr. BUTLER. Well, I am not exactly in a position to speak of that, because I am not as thoroughly familiar with the result which may be experienced in our earnings as the management would be.

The CHAIRMAN. Who is the managing power of the road now?

Mr. BUTLER. You mean who holds the title of general manager?

The CHAIRMAN. Who controls and owns the road? It has just gone out of the hands of the receiver, has it not?

Mr. BUTLER. It is rather a mixed up affair. The purchasing committee are controlling the lines east of the Mississippi River at the present time, and they have appointed the Wabash Western Railway Company, which is a corporation west of the Mississippi, as their agent to operate the line west of the river.

The CHAIRMAN. So that it is being operated now as one line.

Mr. BUTLER. Yes, sir.

Senator HARRIS. How long have you been engaged in the railroad business?

Mr. BUTLER. About eighteen years.

Senator HARRIS. Have the through rates increased or diminished since the interstate commerce act went into operation?

Mr. BUTLER. I think they are practically about the same as they were.

Senator HARRIS. What effect has it had upon rates on the short haul—the local freight?

Mr. BUTLER. They have been diminished.

Senator HARRIS. Largely or to a small extent?

Mr. BUTLER. In some cases largely.

Senator REAGAN. Are you advised as to whether there has been any considerable increase in tonnage over the Canadian roads within the last twelve months?

Mr. BUTLER. Yes, sir. Judging from the tonnage reports published or furnished by the Central Traffic Association I should say there had been.

Senator REAGAN. Will you please state your opinion as to the increase of tonnage over the Canadian roads since the passage of the interstate commerce law as compared with the increase of tonnage on the roads south of the lakes?

Mr. BUTLER. My recollection is that prior to the time the law became effective the percentage of the Canadian roads of east-bound business tonnage from Chicago probably ran in the neighborhood of 20 per cent., and lately there have been several instances where it has been very much larger than that.

Senator REAGAN. Can you state how large?

Mr. BUTLER. I have noticed in the papers of its having reached over 35 per cent.; perhaps 40 per cent.

Senator REAGAN. To what do you attribute that gain?

Mr. BUTLER. I would not like to make any guess as to it.

Senator REAGAN. I did not know but that your knowledge of the business as a railroad-man might give you some reasonable basis of explanation of that increase.

Mr. BUTLER. If I had an opinion I could not probably substantiate it to the satisfaction of this committee or any one else.

Senator HISCOCK. I really wish you would give us your opinion.

Mr. BUTLER. I have no opinion, as a matter of fact.

Senator HARRIS. It would seem to me you would have some opinion. As you say, you may not be able to satisfy the committee, but the committee would be glad to have such an opinion as you have formed from your stand-point.

Mr. BUTLER. I will qualify that answer a little, Senator, by saying that I have not a definite opinion as to the methods which have been employed to increase the east-bound tonnage on the Grand Trunk. I have heard various theories advanced by railroad people, and have also heard the officials of the Grand Trunk assign some reasons for it. As I said before, they are complying absolutely with the provisions of the interstate commerce act.

Senator HARRIS. I will not press the question. I would simply like to have the opinion of gentlemen whose experience and connection with the matter familiarize them with it.

The CHAIRMAN. Your business from Detroit is nearly altogether on the Grand Trunk?

Mr. BUTLER. The relations of our Detroit line have been almost exclusively with the Grand Trunk.

The CHAIRMAN. How many miles has the Wabash in Michigan?

Mr. BUTLER. About 86 miles.

The CHAIRMAN. You have a Toledo connection, have you not?

Mr. BUTLER. Yes, sir.

The CHAIRMAN. Have you a Toledo connection direct from Detroit?

Mr. BUTLER. No, sir; we have no Toledo connection from Detroit.

ADDITIONAL STATEMENT OF W. H. SEYMOUR.

Mr. SEYMOUR. I should like to say a word in relation to a question asked me. If a definite statement is desired—I thought I had stated my views fully, but you do not seem to so consider it—in answer to the question asked, whether I favored any legislation which aids the Canadian roads in competition with the American roads, I should answer no, but then I should state my views as before given.

Senator HARRIS. If existing laws give the Canadian roads an advantage over the American competing roads, would you favor modifying the law so as to put them on a platform of equality?

Mr. SEYMOUR. I do not think there should be any change in the American law. If there is any injury to American interests—the American roads—then I think it should be remedied in some way, but so as not to injure in a greater way and to a larger extent American interests.

I simply desire to answer the question squarely.

STATEMENT OF S. G. COOK.

Mr. S. G. COOK, a lumber dealer, of Minneapolis, appeared.

The CHAIRMAN. Where do you reside, Mr. Cook?

Mr. COOK. In Minneapolis.

The CHAIRMAN. What is your business?

Mr. COOK. I am in the lumber business.

The CHAIRMAN. You have been listening to this discussion and the hearing. What have you to say touching the subject under investigation?

Mr. COOK. I came here with no expectation of giving any testimony on this subject, but Mr. Bowen asked me to say something in regard to the influence of the "Soo" route in our section.

The CHAIRMAN. Proceed with any statement you desire to make.

Mr. COOK. The "Soo" route is only a recent thing.

The CHAIRMAN. You are not dependent upon the "Soo" road?

Mr. COOK. No, sir; we have six or seven roads.

The CHAIRMAN. What proportion of the business of your city eastbound is done over the "Soo" road?

Mr. COOK. I should presume that of the flour business it might be 15 or 20 per cent. I am not fully informed as to the statistics and would not like to say exactly. From looking over the papers from week to week I should think that would be a fair estimate.

The CHAIRMAN. From 15 to 20 per cent., did you say?

Mr. COOK. Yes, sir.

The CHAIRMAN. Would you have sufficient means of transportation east without the "Soo" road?

Mr. COOK. I think we would. I think, however, that it is an advantage to us to have it.

The CHAIRMAN. How is it an advantage? It is simply another road to be kept up, is it not?

Mr. COOK. By the use of it we strike a different territory, especially on foreign shipments.

The CHAIRMAN. What do you mean by "strike a different territory"?

Mr. COOK. We strike a shorter route to Montreal. Our people desire that the line should be maintained.

The CHAIRMAN. Do you get a cheaper rate to New York on the "Soo" road than you do on the Northwestern, or the Milwaukee and St. Paul, or the Burlington?

Mr. COOK. I think the "Soo" line has been the means of reducing rates in many instances.

The CHAIRMAN. How?

Mr. COOK. By making lower rates.

The CHAIRMAN. Do they publish lower rates?

Mr. COOK. Yes, sir.

The CHAIRMAN. Does the "Soo" road publish its rates from Minneapolis or St. Paul to New York or Boston?

Mr. COOK. I understand they do.

The CHAIRMAN. And when they are published they are sometimes lower than the rates on the American lines; is that so?

Mr. COOK. I think it is.

The CHAIRMAN. You do not know that they secretly carry out a different rate from that published?

Mr. COOK. I never heard that they did.

The CHAIRMAN. You are engaged in the lumber business, I believe?

Mr. COOK. Yes, sir.

The CHAIRMAN. Are you in the habit of shipping much lumber over the "Soo" road?

Mr. COOK. Very little. We are located on the Northwestern road, and when we ship east we ship over the Northwestern to Chicago.

The CHAIRMAN. So that the "Soo" road is practically of no personal benefit to you.

Mr. COOK. Very little. Sometimes we ship a little out on that road from Minneapolis.

The CHAIRMAN. Is it not a fact that Minneapolis and St. Paul are furnished with rather more roads now than they need?

Mr. COOK. I think it is.

The CHAIRMAN. Where half a dozen roads are built and have to be kept up and two roads will do the business, it results in higher charges than if there were fewer roads, or just the number required to do the business, does it not?

Mr. COOK. I think half the roads could do the business, probably.

The CHAIRMAN. So that there was no necessity for building that road except to get a shorter line?

Mr. COOK. There are some who think the road is not an advantage to us, but the majority of the people think it is.

The CHAIRMAN. I believe the distance from Minneapolis to the Sault has been given.

Mr. COOK. Yes, sir; Mr. Seymour stated it. It is between 480 and 500 miles.

The CHAIRMAN. How far is it from your city to Duluth?

Mr. COOK. Somewhere in the neighborhood of 150 miles.

The CHAIRMAN. Is there a road between Minneapolis and Duluth?

Mr. COOK. Yes, sir. There are two or three roads running between Minneapolis and Duluth.

The CHAIRMAN. What are they?

Mr. COOK. The St. Paul and Duluth and the Omaha have lines to Duluth.

The CHAIRMAN. "The Omaha"—is that the proper name of the road?

Mr. COOK. No, sir; its proper name is the Chicago, St. Paul, Minneapolis and Omaha. That was built by St. Paul people and originally was the Duluth road, I think. There is also the Eastern Minnesota, which is a branch of the Hill road.

The CHAIRMAN. Does that touch Minneapolis?

Mr. COOK. Yes, sir.

The CHAIRMAN. And runs to Duluth?

Mr. COOK. Yes, sir.

The CHAIRMAN. So that there are three or four roads to Duluth from your town?

Mr. COOK. Yes, sir.

The CHAIRMAN. I suppose a large amount of your flour and grain and lumber coming east goes to Duluth first and then by steamers?

Mr. COOK. A large amount of flour goes that way.

The CHAIRMAN. What do you know about the shipment of flour from St. Paul and Minneapolis—Minneapolis especially, as most of the flour is manufactured there?

Mr. COOK. I am not an authority on that.

Senator REAGAN. Do you know the distance from St. Paul to New York by the shortest line south of the lakes?

Mr. COOK. That is this way. [Indicating on map.]

Senator REAGAN. Not this way [indicating], but south of the lakes.

Mr. COOK. From St. Paul to New York by the "Soo" route is a little longer line, I think. I do not know the exact distance, but I think it is a little longer than by the American lines.

Senator REAGAN. And how to Boston?

Mr. COOK. From St. Paul to Boston by the "Soo" route is about 150 miles shorter than by the American roads.

Mr. EDWARDS. Mr. Chairman, if I may be permitted to do so, I would like to ask Mr. Cook a few questions in regard to distances.

The CHAIRMAN. You can do so.

Mr. EDWARDS. Mr. Cook stated that the advantage to the Minneapolis people in having the Soo line in connection with the Canadian Pacific to the sea-port was in its being the shorter line. I would like to ask him what the distance is from Minneapolis to Montreal, New York, and Boston.

Mr. COOK. I could not give you the distance, but via the "Soo" line it is shorter to Montreal.

Mr. EDWARDS. Do you know that it is shorter to New York?

Mr. COOK. I do not know that it is.

Mr. EDWARDS. You stated that the "Soo" line was shorter than the American lines to Boston; can you state how much shorter?

Mr. COOK. About 150 miles.

Mr. EDWARDS. Can you give the mileage of the "Soo" line from Minneapolis to Montreal, New York, and Boston?

Mr. COOK. No, I can not.

The CHAIRMAN. Can you give the distances, Mr. Edwards, so that they can go into the record?

Mr. EDWARDS. Yes, sir. From Minneapolis to Montreal is 1,118 miles; to New York 1,436 miles; to Boston 1,423.

The CHAIRMAN. By what road?

Mr. EDWARDS. The distances I have given are via the "Soo" line and the Canadian Pacific, and were obtained from information published by Minneapolis interests at the time the road was being constructed.

Now, the distance by the all-rail shortest route from Minneapolis to New York, via Chicago and the Pennsylvania Railroad, is 1,332 miles.

The CHAIRMAN. Can you give the distance to Boston?

Mr. EDWARDS. No, sir.

The CHAIRMAN. Can you give the distance from Milwaukee to Montreal?

Mr. EDWARDS. The distance from Milwaukee to Montreal, crossing the lake, is 1,171 miles; to Boston 1,365; to New York 1,272, or over 150 miles further to New York by the "Soo" line than by other lines.

Mr. COOK. Not further to Boston, though.

Mr. EDWARDS. It is further to Boston by the "Soo" line than by any other line, even by purely all American lines.

The CHAIRMAN. Is there any other gentleman who would like to be heard? I ask this because there will be no afternoon session to-day.

ADDITIONAL STATEMENT OF ASHLEY POND.

Mr. POND. Mr. Chairman, may I be permitted to say a word?

The CHAIRMAN. Certainly; we will be glad to hear you.

THE QUESTION OF REQUIRING LICENSES.

Mr. POND. I was asked yesterday if there was any objection to requiring the American lines to obtain licenses from the Interstate Commerce Commission. I stated that I could see no objection to it. Theoretically there is no objection; but practically it seems to me that such a system would be very cumbersome, and there would be no remedy even under a license system except through the courts.

Now, the American lines are within reach of the courts at all times; the Canadian lines are not. The only effectual remedy as to the Canadian roads, it seems to me, must be by the action of the Commission and not by the courts. Under the license system the Commission could afford an immediate remedy. To go into the courts would be a long process. If you proceed criminally you must satisfy the jury beyond a reasonable doubt by evidence of a violation of the law before you can convict. The only other way is by an injunction. That is not an effectual remedy because, as I stated yesterday, of the difficulty in getting jurisdiction. But if the power is lodged with the Interstate Commerce Commission it can investigate the matter, and if it is satisfied that the law has been violated it can revoke the license and stop the interchange of cars, stop the passage of through cars by the action of the customs department.

Senator HISCOCK. What you mean is this: That all the American roads are subject to the same prosecution under the law without a license that they would be with a license.

Mr. POND. Yes, sir.

Senator HISCOCK. Do you mean that the American roads and the officers of the American roads are under the jurisdiction of the courts at all times and can be punished by the criminal courts, but as to the Canadian roads there is no jurisdiction for any offense against the interstate commerce law?

Mr. POND. The American roads can be reached very effectually by bills in equity and by injunctions.

The CHAIRMAN. Would you give the Interstate Commerce Commission absolute power to revoke the license without any sort of appeal or right to the railroad to go into court and determine whether it was a just act on the part of the Commission?

Mr. POND. I think it would be safe to give the Commission that power. I do not know why the Commission could not act as justly as the court in that respect. To that extent it would be a court of equity. There is no reason why an appeal should lie, unless to the Supreme Court of

the United States; certainly not to any circuit court. As the law now stands the Commission has no power. When a complaint is brought before it the Commission can simply say that the complaint is well founded, but it can do nothing.

The CHAIRMAN. It can turn over the proceedings or whatever evidence it has to the district attorneys.

Mr. POND. Yes, sir. The act provides that the finding of fact by the Commission shall be prima facie evidence, but it would not be prima facie evidence in a criminal prosecution.

Senator HISCOCK. Would it not be rather summary to trust any commission composed of gentlemen who need not necessarily be lawyers or judges, and who are selected, of course, with reference to their looking after the interests of different sections of the country? Do you not think it would be rather a summary proceeding to give such a commission power to close all the international trade between this country and Canada without a review by the courts?

Mr. POND. I said that there was no objection to a review.

Senator HISCOCK. The question is, if we allow any five men to suspend commercial relations between this country and a foreign nation, would not that power need be very carefully guarded?

Mr. POND. There is no doubt but that provision should be made for review, but the proceeding should be somewhat summary. Certainly there ought not to be a provision for review and then for an appeal, so that a proceeding of that kind should be suspended indefinitely.

Senator HISCOCK. Now, let me ask you this question which occurs to me just at this moment, and which I submit to you as a lawyer: Of course Congress has the power to regulate foreign commerce and domestic commerce; but do you think that Congress could abdicate the power to a commission to practically prohibit the commerce between our country and a foreign nation?

Mr. POND. No, I do not; but I do not think under a license system properly adjusted it would abdicate that power. The system applies to the roads severally, and you simply give power to the Commission to say that a certain carrier shall not engage in that business.

Senator HISCOCK. In other words, it is not a mattter between the two nations, but between the nation and the carrier.

Mr. POND. The corporation and the country. I do not see that there is any trouble in that direction.

ADDITIONAL STATEMENT OF ALONZO C. RAYMOND.

The CHAIRMAN. I understand that Mr. Raymond desires to submit some remarks supplemental to his former statement.

Mr. RAYMOND. As explanations seem to be in order I would like to make one. Senator HISCOCK asked me yesterday if I knew any railroad men who were in favor of cutting off any Canadian railroad line, and he proceeded upon the hypothesis that I was fighting a phantom. I will say to Senator HISCOCK that I will agree to furnish him one hundred editorials of leading newspapers in the United States advocating that thing.

Senator HISCOCK. That might be true.

Mr. RAYMOND. They represent public sentiment.

Mr. POND. I thought they were all working the other way, so far as my observation has gone.

Mr. RAYMOND. It is very likely that all railroad interests work

quietly to accomplish desired ends. If Mr. Depew or Mr. Roberts in representing any leading railroad interest wanted to do the very thing that Senator HISCOCK said was a phantom, it is not likely that they would publicly advertise that that is what they wanted. They would be just as likely to take the other course, and the influences would be working to accomplish their purpose just the same.

Senator HISCOCK. The difference between you and me in respect to your last remark is this: that I have always been accustomed to take people as they talk rather than to infer that men meant the contrary of what they said. I believe in the sincerity of people and I have always acted upon that principle. I know there is this about it, that there is quite a non-intercourse sentiment, and I think very likely you can find a hundred newspapers that are distributed among 70,000,000 people, and the proprietors of and writers on a hundred newspapers, like General Wilson, of Delaware, who squarely insist that the true way to annex Canada to this country is by non-intercourse. I have not, however, even heard it suggested by any reasonable railroad manager that that thing should be done.

Mr. RAYMOND. I am very glad to hear that, and I hope it is not in the mind of any railroad manager.

Senator HISCOCK. You said something yesterday in reference to why this investigation took place, or something of that kind.

Mr. RAYMOND. I think not.

Senator HISCOCK. Some one did, and I think I am justified in saying that there certainly was not the slightest railroad influence at the bottom of it. It was simply prompted by a desire to perfect the interstate commerce law, and to study the question. The purpose is to perfect legislation on the subject.

Mr. RAYMOND. I simply rose to make an explanation. I do not want to have it inferred that in making my explanation I charge any one or any American railroad interest directly; but I have been studying this subject somewhat through the newspapers, and I know that there are large numbers of newspapers in this country that are harping on this proposition day after day. The New York Sun for one has been doing it constantly for two years.

Senator HISCOCK. I think Mr. Dana would tell you that he favored the course you allude to because he thinks it the better method of annexing Canada.

Mr. RAYMOND. This influence that is working through the newspapers, advocating the cutting off of Canadian lines, certainly does not come from the masses of the people who are benefited by the competition of the Canadian roads, and must necessarily come in some way from the competing interests.

The CHAIRMAN. As no one else seems desirous of being heard, the committee will adjourn to meet in Chicago to morrow.

At 12 o'clock m. the committee adjourned to meet in Chicago to-morrow at 10 o'clock a. m.

CHICAGO, ILL., *July* 13, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

The CHAIRMAN. The resolution under which we are conducting this inquiry will be read by the clerk.

The resolution was read.

STATEMENT OF J. M. HANNAFORD.

Mr. J. M. HANNAFORD, traffic manager of the Northern Pacific Railroad Company, appeared.

The CHAIRMAN. I suppose, Mr. Hannaford, you have received a copy of the resolution just read.

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. HANNAFORD. St. Paul, Minnesota.

The CHAIRMAN. What is your business engagement?

Mr. HANNAFORD. I am traffic manager of the Northern Pacific.

The CHAIRMAN. How long have you occupied that position?

Mr. HANNAFORD. Since it was created.

The CHAIRMAN. Several years?

Mr. HANNAFORD. Yes, sir. I can not give you the exact date. I have been with the company, in the traffic department, since May, 1872.

The CHAIRMAN. You probably have some definite views that you desire to give to the committee, and, if so, please proceed to give them in your own way.

Mr. HANNAFORD. I have made no preparation. I received a telegram from Mr. Oakes, in reply to one that you sent to him on the 9th. He was in the East and stated that he could not be here himself, and asked me to be present. I received a circular transmitted by mail to me only yesterday afternoon, so I did not know what the scope of the committee's questions would be.

The CHAIRMAN. What is the volume of business east and west over the Northern Pacific Railroad?

Mr. HANNAFORD. The tonnage?

The CHAIRMAN. Yes.

Mr. HANNAFORD. I could not give that. It is on file with the Interstate Commerce Commission for last year. Our annual report covered the whole of it. It consists of general merchandise west-bound, and hops, wool, grain, and salmon, canned fish largely.

The CHAIRMAN. Has the business of the Northern Pacific been increasing or diminishing?

Mr. HANNAFORD. It has been increasing for the last two or three years.

The CHAIRMAN. About what per cent., from year to year, if you have any definite knowledge on the subject?

Mr. HANNAFORD. The general business of the company has more than doubled within the last two or three years.

The CHAIRMAN. Has the gross amount of money made doubled also?

Mr. HANNAFORD. The gross amount has. I made the statement from the earnings rather than from the tonnage.

The CHAIRMAN. Made that statement to the Commission, you mean?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. You do not remember what that statement is in figures, do you?

Mr. HANNAFORD. I have not those figures.

The CHAIRMAN. Have you a report at your command in the city?

Mr. HANNAFORD. I think I could find one in our office; the annual report for last year.

The CHAIRMAN. Do you know anything about the Canadian Pacific Railroad?

Mr. HANNAFORD. Yes, sir; a great deal.

The CHAIRMAN. Do you have any foreign trade?

Mr. HANNAFORD. We have very little Asiatic trade; what we have is tea, largely.

The CHAIRMAN. You say very little.

Mr. HANNAFORD. I will give you the history of it.

Three years ago we went into the Asiatic business, first chartering sailers, and made very little success of it. Last year we had fine sailers and brought about 12,000,000 pounds of tea to this country. This year we have one ship afloat, one ship loaded, which ought to sail to-day or to-morrow, and one under charter which we have not commenced to load.

The CHAIRMAN. Commenced to load where?

Mr. HANNAFORD. Yokohama, Japan.

The CHAIRMAN. And to where do you carry the tea?

Mr. HANNAFORD. St. Paul, Minneapolis, Chicago, New York, Montreal, Toronto, and all the interior cities.

The CHAIRMAN. Is it consigned to anybody?

Mr. HANNAFORD. Largely to order. I think all the tea is handled that way.

The CHAIRMAN. What do you mean by that?

Mr. HANNAFORD. Bills of lading are issued to the owners of the tea, and the tea is not sold by them until after it arrives and the bills of lading are drawn upon. It is a cash transaction as far as the merchants are concerned. The bills are drawn on, and as the merchant sells the tea he indorses over the bill of lading.

The CHAIRMAN. That is, a New York or Boston merchant, or wherever he might be?

Mr. HANNAFORD. Wherever he might be.

The CHAIRMAN. Do you get much foreign trade that does not come in your own ships?

Mr. HANNAFORD. None whatever.

The CHAIRMAN. Why not?

Mr. HANNAFORD. There are no ships coming to our western termini except those we bring there ourselves.

The CHAIRMAN. Does each one of these transcontinental lines have its own ship line?

Mr. HANNAFORD. Either their own or under their control.

The CHAIRMAN. Does either of them get anything that does not come over on their own vessels?

Mr. HANNAFORD. I think not. A solitary sailer now and then will make a charter, but we have never had one.

The CHAIRMAN. Do you get your share of the trade that comes to Portland, Oregon, and San Francisco, and those ports, as between yours and the other transcontinental lines?

Mr. HANNAFORD. I should say no; possibly the other lines would say yes. Our arrangements with the Canadian Pacific are such that we are practically shut out of San Francisco.

The CHAIRMAN. Why do you say your arrangements?

THE TRANSCONTINENTAL ASSOCIATION.

Mr. HANNAFORD. I suppose you are familiar with the Transcontinental Association?

The CHAIRMAN. Yes.

Mr. HANNAFORD. All the transcontinental lines are members. That association was formed for the maintenance of rates. The lines are so

largely separated, there being the Southern Pacific on the extreme south and the Canadian Pacific on the extreme north, that it is necessary for any one line to know what the other is doing, and to have all those lines in the same rate association. It was a pool before the passage of the interstate commerce law, but afterward was reformed into a rate association. Before it was formed the Canadian Pacific, who were not members of that association, made such rates as they saw fit, and it was almost impossible, the volume of traffic being very small from Puget Sound points, for us to get anything scarcely.

THE CANADIAN PACIFIC DIFFERENTIALS.

When this association was formed we invited the Canadian Pacific to become members of it, so that we could know what rates they were making, and as one of the conditions of their becoming members they demanded a differential rate; in other words, that they might be permitted to make rates from San Francisco that were less than those made by any of the other lines.

The CHAIRMAN. On what ground?

Mr. HANNAFORD. Well, on the ground that they could not get the business at even figures, I suppose. It was a sort of stand-and-deliver policy. They would not come in unless we allowed them those differentials. Finally it was conceded that on business between San Francisco and Chicago the Canadian Pacific might make a differential of 25 cents on first class down to 7 cents on class E, the lowest class. Detroit, Toledo, and common points, from 30 cents down to 7 cents; Pittsburgh, Buffalo, and common points, 32 cents down to 7 cents; and New York, Boston, Philadelphia, Baltimore, and common points, 40 cents down to 7½ cents.

As to the fairness of these differentials you can form your own conclusions when I say we have to submit to them when our distance from St. Paul to San Francisco, via Tacoma and the ocean, is 15 miles greater than theirs, via the same route, Victoria, Vancouver, and the ocean. Yet we have to allow them these differentials over us, and they make the same rates to Puget Sound ports. That allows us a fair competition in our western terminals, and in San Francisco of course our showing is nothing, comparatively speaking. Perhaps we may get 1 per cent. of the entire east-bound San Francisco business. We had to concede these differentials simply for peace.

The CHAIRMAN. What would have been the result if you had not?

Mr. HANNAFORD. Well, they would have made such rates as they saw fit. We would have been compelled to make tariffs in accordance with the law, and we could not have kept up with them—could not have got any business. Take hops; that is quite a large article in our east-bound carrying trade. They are all raised within 50 miles of Seattle, and for the shipment of a thousand bales of hops there we had to make a tariff. We had to issue it and file it in Washington, giving ten days notice if it was an increase, and if a reduction three days before it took effect in Seattle. In the meantime, being free from anything of that kind, the Canadian Pacific would step in and change the rate. The transmission of that information from Washington Territory to my office in St. Paul, and the preparation to meet it, was something that we could not handle. Therefore, we concluded that we had better buy up the Canadian Pacific to maintain the rates, and to know where they were on that business, which is worth more to us than what we could rightfully expect to get from San Francisco. It was simply a trade.

The CHAIRMAN. You felt that you were in their hands?

Mr. HANNAFORD. To a certain extent; yes, sir. Take it on the passenger business. As you know, the large volume of west-bound traffic is emigration, seeking homes in Washington Territory. At the present time probably the largest emigration in the United States is to Washington Territory and Oregon. One of the conditions of this agreement was that they should have a $5 differential on emigrant tickets. In other words, the rate from St. Paul to Seattle, Wash., or from St. Paul to San Francisco, or from St. Paul to any point on the Pacific coast, is $35 via the American line. That is the rate either by our line, or Sioux City, or Union Pacific, or down over the Atchison, but via the Canadian Pacific it is $30. Their rate is $30; yet their distance from St. Paul to Vancouver, which is their western land terminus, is 1,940 miles.

The CHAIRMAN. From where?

Mr. HANNAFORD. From St. Paul, the initial point. From St. Paul to Tacoma, via our own line, is 1,935 miles. There is but 5 miles difference. To go to any point on Puget Sound they have to go by steamer over either road. From Tacoma by steamer to Port Townsend the distance is practically the same; yet they take $5 less rate than we do.

The CHAIRMAN. They get these passengers in the United States, do they not?

Mr. HANNAFORD. Very largely; yes, sir.

The CHAIRMAN. And take them to another point in the United States?

Mr. HANNAFORD. And take them to another point in the United States. They take them in connection with the St. Paul, Minneapolis and Manitoba Line, running from St. Paul to the boundary line, then by the Canadian Pacific from the boundary line to Victoria, to Vancouver, and then by steamer from Vancouver down to Tacoma, and then passengers going to Portland go from Tacoma to Portland by our line. We had to make them a concession there.

The CHAIRMAN. And carry them over your own road part of the way, too.

Mr. HANNAFORD. Carry them 140 miles over our own road. They will take a passenger at St. Paul, Minn., and lay him down at Portland, Oregon, between which points we have a direct all-rail line on this roundabout line for $5 less than we can take him.

Senator REAGAN. What is the difference in the length of the two lines to Portland?

Mr. HANNAFORD. Our line to Portland is 1,913 miles. The other line to Portland, by these different water and rail routes, is 2,286 miles.

Senator REAGAN. And you give them a differential of $5?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. How long has this agreement been in force?

Mr. HANNAFORD. It was rewritten on February 1, 1888. That is the one we are working under now. Some modifications were made. Prior to that we had rather an unsettled state of affairs among the American roads, and we reorganized at that time and took in the Canadian Pacific. The agreement is on file at Washington.

The CHAIRMAN. Is that a public document?

Mr. HANNAFORD. No, sir; not really, but a document we filed with the Interstate Commerce Commission.

The CHAIRMAN. I should think it was a public document, if you were required to file it.

Mr. HANNAFORD. It might be considered a public document.

The CHAIRMAN. You say that before that agreement was made there was confusion among the American roads?

Mr. HANNAFORD. Yes, sir; that was owing to the completion of the Canadian Pacific largely. They opened up the line there and were in no association with any of us, and we had no association of our own, and each line started out to get what business it could.

The CHAIRMAN. Do you think you make more money by this arrangement by which the Canadian Pacific is taken into the ring than you would without it?

Mr. HANNAFORD. There is no question about it, unless they could be controlled some way.

The CHAIRMAN. How controlled? Required to do just what you had to do under the law?

Mr. HANNAFORD. Yes, sir; I am not a believer myself in differential rates. I think the territory should be divided, where differential rates are necessary, to let any one in. We have a line from Canada in connection with other lines—the Duluth and Manitoba extension of our road to Winnipeg. We are a roundabout long line from Montreal to Winnipeg, for instance, and yet our neighbors will not allow us a differential.

The CHAIRMAN. Can you not cut under them and make them do it like they did with you?

Mr. HANNAFORD. Not very well. We have had too much regard for the construction our attorneys put on the interstate commerce act to fool around it very much.

The CHAIRMAN. Well, with business you are doing outside of the United States?

Mr. HANNAFORD. We are not doing business outside of the United States, because we do not own those lines. We have to handle it by lines coming into Chicago, and it makes a combination of locals, or else an entire disregard of the law. That is the only ground we make it on, and we might find ourselves in a position to make the less rate from Montreal to Winnipeg than from Chicago to St. Vincent, both stations being in the United States, but our attorney thought it was not advisable to do that.

The CHAIRMAN. I spoke of it because I thought you referred to business entirely outside of the United States in competition with the Canadian roads.

Mr. HANNAFORD. No, sir; we can take care of ourselves under the same laws that they are under.

CANADIAN COMPETITION AND THE INTERSTATE LAW.

The CHAIRMAN. You think that in obeying the interstate commerce law you are at a disadvantage in competition with the Canadian roads?

Mr. HANNAFORD. Yes, sir; in a great many ways.

The CHAIRMAN. In just what way?

Mr. HANNAFORD. Well, particularly in the fact that we can not move nearly as quickly as they can.

The CHAIRMAN. You can not change your base so readily.

Mr. HANNAFORD. We can not send an agent out in the field with instruction to get a certain amount of business at the going rate, because he may violate several clauses of the interstate commerce act in trying to do so, while his neighbor on the north, the Canadian Pacific man, will not be bothered with them at all. Now, take the hop business. Last year there were probably 15,000 bales of hops from Seattle that went to London. Nobody could tell at what rate they went. We did not carry them. They could loca them by those little outside steamers up

to Vancouver, and the moment they reached there they were entirely within the British domain until they reached destination.

The CHAIRMAN. Wherever the hops would be gathered in Washington Territory would they be billed through to London or up to Vancouver?

Mr. HANNAFORD. They simply would be lightered up to Vancouver.

The CHAIRMAN. And then billed to London?

Mr. HANNAFORD. And then billed to London. We could not find them. We could not tell what the rates were. We changed our tariff several times during the season, reduced rates, but never had them low enough to get that business.

The CHAIRMAN. Perhaps you did not make your tariff low enough in any respect to compete with the Canadian line.

Mr. HANNAFORD. Possibly. We made the rate as low as $1.25 from the Pacific coast to the Atlantic seaboard, and put all our intermediate business on the same basis.

The CHAIRMAN. One dollar and twenty-five cents a hundred.

Mr. HANNAFORD. Yes; it seemed like quoting a pretty low rate.

The CHAIRMAN. You say that you put all your intermediate points on the same basis. Did that embarrass you in any way?

Mr. HANNAFORD. Well, we could have got more. It embarrassed us to the extent that we put interior points in Wisconsin in direct competition with the Canadian Pacific road—points that they could not reach. We had to make that rate to the Atlantic seaboard, and we did not make it against the ocean because hops never have gone around the Horn. I do not think they would stand the trip. We made it against the all-rail route and we put our intermediate business on the same basis.

The CHAIRMAN. Has not the Commission been holding that, in competition with other routes at the water points, the long and short haul clause, as it is called, should be disregarded?

Mr. HANNAFORD. They have been very liberal in their construction, but I think they have lately re-assumed that in making an agreement with the Canadian Pacific—taking them into the Transcontinental Association—we were controlling them to a certain extent, although it was at our expense.

The CHAIRMAN. Controlling what?

Mr. HANNAFORD. The Canadian Pacific competition.

RATES ON THE NORTHERN PACIFIC.

The CHAIRMAN. Well, as it is, your road has been making twice as much for the last two or three years as it did before

Mr. HANNAFORD. Our country is a growing co[illegible] increased earnings in Montana alone probably have [illegible] opulation of Puget Sound has doubled a number of [illegible] was completed.

The CHAIRMAN. What is the fact as to your charges; have they trebled or doubled or been reduced?

Mr. HANNAFORD. They have been reduced from the start.

The CHAIRMAN. Gradually going down all the time?

Mr. HANNAFORD. Yes, sir; all the time.

The CHAIRMAN. Have your through rates been the same or less your transcontinental trade since the passage of the interstate commerce act than before it went into operation?

Mr. HANNAFORD. Well, that is rather a pointed question to answer. On certain goods the rates have been raised. The largest commodities

have been very much lowered. We endeavored to construct our tariffs on the basis of observing the long and short haul clause on all local business and on all business that could not be called competitive with the ocean. Before the passage of the act we made those tariffs and put everything in competition with the ocean. We made what is called the old California contract system, by which we gave certain parties certain rates, provided they gave us all their business; and after the passage of the law we eliminated from that tariff all goods that were not competitive with the ocean as fast as we could find them and raised the rate to the coast on those goods, so that they should bear the maximum rate. On the entire business we absolutely observed the long and short haul clause. Then on goods that were strictly competitive with the ocean we had to lower the rate.

The CHAIRMAN. I do not know whether I quite understand you. On goods that you ship from the ocean eastward the rate that you charge has been as low or lower since the passage of the act than it was before?

Mr. HANNAFORD. On part of the goods. We have separated the goods into two classes. There is a good deal of merchandise shipped from the Atlantic coast to the Pacific Ocean that is not competitive with the ocean.

The CHAIRMAN. How is that?

Mr. HANNAFORD. It is goods that would not under ordinary circumstances be taken by sailing vessels on account of damage, perishable goods or millinery goods, or the highest grades of dry goods, which might go out of style in making the trip of four or five or six months. Such goods as the ocean would not naturally compete for we have put on a tariff called non-competitive tariff, which makes the rate from New York to the Pacific coast the maximum rate; no interior point is charged any more.

On the other class of goods that are directly competitive with the ocean, we have not observed the long and short haul clause, but have made the rate to the coast which was necessary in order to compete, and a like rate was made to the interior.

Senator HARRIS. You have increased through rates upon some classes of goods, and diminished them upon others.

Mr. HANNAFORD. Yes, sir.

OPERATION OF THE INTERSTATE COMMERCE LAW.

Senator HARRIS. Now, take your whole freight, are your through rates higher or lower than before the passage of the interstate commerce bill?

Mr. HANNAFORD. I should say they were lower. We had a leverage which we could use before under the contract system which we can not do now. We can not say to the merchant as we could then, "Give us your low-class freight and we will make a special contract on your high-class freight." Now he has the steamers or the sailing vessel by the Horn, or the all-rail route, and he can use whichever is the cheapest for certain classes of goods.

The CHAIRMAN. How about your local business; are your rates on local traffic higher or lower than before the act was passed?

Mr. HANNAFORD. Our local business is very much lower.

The CHAIRMAN. According to your statement, then, the result of the interstate commerce act on the average has been to lower both your through rates and local rates?

Mr. HANNAFORD. Yes, sir. However, I would not give the credit of lowering the intermediate rates to the interstate commerce law entirely, as the volume of business has increased, and rates have been lowered in that way. Both circumstances have combined to reduce the rates.

The CHAIRMAN. Are you finding much inconvenience in doing an honest and legitimate business under the interstate commerce act because of its being enforced?

Mr. HANNAFORD. Not a great deal; no, sir.

The CHAIRMAN. You do not think you are losing any thing particularly by it?

Mr. HANNAFORD. No, sir.

The CHAIRMAN. In competition with the Canadian Pacific are you losing anything on account of the law being enforced against you and not against them?

Mr. HANNAFORD. I should think we were. If their rates were the same as ours we would lose little or no business to that company, but by these differentials which they are allowed we are losing a certain percentage.

The CHAIRMAN. Can you give the percentage?

Mr. HANNAFORD. No, sir; I have no knowledge of what the Canadian Pacific is doing, except as our transcontinental statements show. Those statements give their own business as well as ours, Canadian business not separated from the American business.

THE CANADIAN PACIFIC TRANSCONTINENTAL TRAFFIC.

The CHAIRMAN. Can you give us the volume of business which your road does—I do not ask for the exact figures—and also that done on the Canadian Pacific?

Mr. HANNAFORD. I think they are doing over 50 per cent. of the Seattle business. Seattle is one of the largest towns on the Sound.

The CHAIRMAN. How near is their terminus to Seattle?

Mr. HANNAFORD. About 160 miles.

The CHAIRMAN. And you run to Seattle?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. Still they get more than half the Seattle business?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. How do they manage to do that? Why can not you get all the Seattle business, practically?

Mr. HANNAFORD. I can not tell you, sir.

The CHAIRMAN. You only know the fact that the Canadian Pacific gets 50 per cent. of it?

Mr. HANNAFORD. Yes, sir.

Senator HARRIS. Is it not securing this large amount of traffic on account of the differential which it is allowed? What is the differential allowed the Canadian Pacific?

Mr. HANNAFORD. Ten dollars on first-class passengers and $5 on second.

Senator HARRIS. Have they a differential east-bound?

Mr. HANNAFORD. They have some differential east-bound. I included both east and west bound when I made the statement.

The CHAIRMAN. When you say 50 per cent. of the Seattle business is carried by the Canadian Pacific, does that statement include both passengers and freight?

Mr. HANNAFORD. No, sir; we would not be willing to concede them quite 50 per cent. of the freight business.

The CHAIRMAN. Do you know what per cent. of the traffic of the Pacific coast, including the local trade in Oregon and other Pacific coast States and the San Francisco business, and all along the line, is carried by the Canadian Pacific?

Mr. HANNAFORD. No, sir. During one month this spring I figured it out that the Canadian Pacific got 43 per cent. of the North Pacific coast passenger business.

The CHAIRMAN. What do you mean by "the North Pacific coast?"

Mr. HANNAFORD. North of the Oregon and California State line; that is, taking out San Francisco and the State of California.

The CHAIRMAN. Does the Canadian Pacific carry a very large amount of goods from Winnipeg, Manitoba, down into the United States?

Mr. HANNAFORD. No, sir.

The CHAIRMAN. Who does?

Mr. HANNAFORD. We carry nearly all that is brought. They bring some passengers. It is not to their interest to get that trade.

The CHAIRMAN. Recurring to the main question, what do you think ought to be done if you are at a disadvantage in competition with the Canadian Pacific? Would you suggest that the two systems of roads be put on the same level? What changes, in your opinion, ought to be made in the law?

Mr. HANNAFORD. I do not know what can be done. I know very well that if they could be surrounded with the same restrictions that we are, or we could have the same freedom that they have, we could take care of ourselves.

The CHAIRMAN. Do you think there is enough disadvantage existing now to justify any legislation or action by the Government of the United States?

Mr. HANNAFORD. Oh, I do not know. We are not complaining very much.

The CHAIRMAN. You are not making very much fuss about it.

Mr. HANNAFORD. No, sir; we came here by your invitation, not because we had any wrongs we wanted righted.

The CHAIRMAN. You understand, of course, that this committee has been directed by the Senate to make these inquiries for the purpose of getting information.

DIFFERENTIALS TOO LARGE.

Mr. HANNAFORD. I think we are handicapped almost too much by the differentials which are now allowed. I can not help thinking that when we are the longer road by 15 miles from St. Paul to San Francisco we should not be compelled to allow a differential of 15 cents a hundred on first-class freight.

The CHAIRMAN. Fifteen cents a hundred on first-class freight to the Canadian Pacific?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. You give them 15 cents a hundred on first-class freight?

Mr. HANNAFORD. We simply give them the San Francisco business for peace and harmony.

Senator HARRIS. If they were subjected to the regulations of the interstate commerce act, having the authority, as you have, under the act to make your own rates, would you not be at the same disadvantage? Could the Canadian Pacific not demand, and would you not be compelled to give them, a differential to prevent their publishing lower tariffs?

Mr. HANNAFORD. I have thought of that question, but they would then have to submit their interior business to the same rates proportionately as they did their through business, and then possibly we could make a better trade with them than we can now. They know now that we simply have to accept their terms, practically.

The CHAIRMAN. How much does the Canadian Pacific get on freight from San Francisco?

Mr. HANNAFORD. By steamer, the same as we get.

The CHAIRMAN. Who owns the steamers which they use in that traffic?

Mr. HANNAFORD. The Pacific Coast Steam-ship Company.

The CHAIRMAN. And the steam-ship company is not connected with either you or the Canadian Pacific?

Mr. HANNAFORD. No, sir.

The CHAIRMAN. Each of you make your own bargains with it?

Mr. HANNAFORD. Yes, sir; they are coastwise lines.

Senator REAGAN. Does the Canadian Pacific publish its rates of freight from San Francisco east?

Mr. HANNAFORD. No, sir; not as an individual line. The rates are published only by the Transcontinental Association, both east and west bound.

Senator REAGAN. So that the Canadian Pacific does not have a separate rate?

Mr. HANNAFORD. No, sir.

Senator REAGAN. Is the tariff agreed upon and published by the Transcontinental Association furnished to the Commission at Washington?

TRANSCONTINENTAL ASSOCIATION TARIFF SHEET.

Mr. HANNAFORD. Yes, sir; I can show you a copy of the tariff sheet. Here it is [exhibiting]. The rates are on the second page, and the differential of the Canadian Pacific is given on the first page.

Senator REAGAN. Those are the rates of all the Pacific lines?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. You can put the tariff sheet in the record.

Mr. HANNAFORD. I will do so.

The tariff sheet is as follows:

[NOTE.—The through rates named herein, via rail and lake routes, are the same as published via other routes, and in no case will the proportions allowed east of lake terminals be greater than the published tariff rates thereto; the remainder of the through rates to be absorbed by the roads west thereof. If less than the published tariff rates are charged to lake terminals, the roads west thereof will absorb the remainder of the through rates.]

No. 20.—TRANSCONTINENTAL ASSOCIATION.

Atchison, Topeka & Santa Fé R. R.,	Denver & Rio Grande Western R'y,	Oregon Short Line,
Atlantic & Pacific Railroad,	Denver, Texas & Fort Worth R. R.,	Southern Pacific Company, Atl'c System,
Burlington & Missouri River R. R.,	Missouri Pacific Railway,	Southern Pacific Company, Pac. System,
California Central Railway,	Montana Central Railway,	St. Louis & San Francisco R'y,
California Southern Railroad,	Northern Pacific Railroad,	St. Paul, Minneapolis & Manitoba R'y,
Canadian Pacific Railway,	Oregon & California Railroad,	Texas & Pacific Railway,
Chicago, Kansas & Nebraska Railway,	Oregon Railway & Navigation Co.,	Union Pacific Railway.
Denver & Rio Grande Railroad,		

In connection with Eastern rail and lake lines.

Through freight tariff, west-bound, via rail and lake, taking effect May 27, 1889.

From Boston, New York, Philadelphia, Baltimore, and common points; Pittsburgh, Buffalo, and common points; Cincinnati, Detroit, and common points; Chicago, Milwaukee, and common points, to San Francisco, Sacramento, Marysville, Stock-

ton, San José, Oakland (16th street), Los Angeles, and San Diego, California; Portland and Astoria, Oregon; Tacoma, Seattle, and Port Townsend, Washington Territory; Victoria, Vancouver, and New Westminster, British Columbia, and intermediate Pacific coast common points, as provided herein.

Exceptions.—1st. Rates provided herein apply from Tacoma, Seattle, and Port Townsend, W. T., Victoria, Vancouver, and New Westminster, B. C., when routed via Canadian Pacific Railway or Northern Pacific Railroad only.

2d. Rates provided herein will not apply to points south of Lathrop, Cal., when routed via Portland, Oregon, nor to Portland, Oregon, when routed via San Bernardino or Mojave, Cal.

W. F. White, traffic manager, A. T. & S. F. R. R., A. & P. R. R. and C. S. & C. C. R'ys, Chicago, Ill.
C. A. Parker, general freight agent, A. T. & S. F. R. R., Topeka, Kans.
W. A. Bissell, general freight agent, A. & P. R. R., San Francisco, Cal.
Thomas Miller, general freight agent, Bur. & Mo. Riv. R. R., Omaha, Nebr.
S. B. Hynes, general freight agent, Cal. Cen. Ry. and Cal. So. R. R., Los Angeles, Cal.
Wm. M. Sage, traffic manager, C., K. & N. R'y, Chicago, Ill.
D. Atwood, general freight agent, C., K. & N. R'y, Topeka, Kans.
George Olds, general traffic manager, Can. Pac. Ry., Montreal, Quebec.
A. S. Hughes, traffic manager, D. & R. G. R. R., Denver, Colo.
J. H. Bennett, general freight agent, D. & R. G. W. Ry., Salt Lake City, Utah.
H. J. Lawder, acting gen'l freight agent, D. T. & Ft. W. R. R., Denver, Colo.
W. H. Newman, 3d vice-president, Mo. Pac. Ry., St. Louis, Mo.
P. P. Shelby, general manager, Mont. Cent. R'y, Helena, Montana.
J. M. Hannaford, traffic manager, Nor. Pac. R. R., St. Paul, Minn.
S. L. Moore, general freight agent, N. P. R. R., St. Paul, Minn.
Richard Gray, general freight agent, Oregon & Cal. R. R., San Francisco, Cal.
B. Campbell, general freight agent, Oregon Ry. & Nav. Co., Portland, Oregon.
J. C. Stubbs, general traffic manager, So. Pac. Co., San Francisco, Cal.
J. G. Schriever, traffic manager, So. Pac. Co. (Atlantic System), New Orleans, La.
E. G. Bleker, general freight agent, So. Pac. Co. (Atlantic System), Houston, Tex.
Richard Gray, general freight agent, So. Pac. Co. (Pacific System), San Francisco, Cal.
G. W. Cale, general freight agent, St. L. & S. F. Ry., St. Louis, Mo.
W. S. Alexander, general traffic manager, St. P., M. & M. R'y, St. Paul, Minn.
J. M. Sawyer, general freight agent, St. P., M. & M. R'y, St. Paul, Minn.
E. H. Hinton, ass't general freight agent, Tex. & Pac. Railway, Dallas, Tex.
J. A. Munroe, general freight agent, Union Pac. Railway, Omaha, Nebr.

J. N. Faithorn, chairman, W. & N. W. Div. Western Freight Ass'n, Chicago, Ill.
James Smith, general agent, Transcontinental Ass'n, room 154 Stewart Bld'g, New York.
J. W. Midgley, chairman, S. W. Div. Western Freight Ass'n, Chicago, Ill.
J. S. Leeds, chairman, Transcontinental Ass'n, 816 Olive st., St. Louis, Mo.

St. Louis, Mo., May 15th, 1889.

Through freight rates via rail and lake.

[Subject to the Western classification.]

To—	In cents per 100 pounds.									
	Merchandise.				Car-loads.					
San Francisco, Sacramento, Marysville, Stockton, Roseville Junction, San José, Oakland (16th street), Mojave, Los Angeles, San Bernardino, and San Diego, Cal.; Portland and Astoria, Oregon (via Canadian Pacific R'y, Northern Pacific R. R. or Oregon Short Line); Tacoma, Seattle, and Port Townsend, Wash. Ter.; Victoria, Vancouver, and New Westminster, British Columbia (via Canadian Pacific R'y or Northern Pacific R. R.), and to intermediate Pacific coast common points, as described on page 6 of West-bound Tariff No. 18, effective January 1, 1889,	First class.	Second class.	Third class.	Fourth class.	Fifth class.	Class A.	Class B.	Class C.	Class D.	Class E.
From—										
Chicago, Milwaukee, and common points	3.90	3.70	2.70	2.10	1.85	1.90	1.70	1.35	1.20	1.10
Cincinnati, Detroit, and common points	3.95	3.45	2.75	2.15	1.90	1.95	1.75	1.40	1.25	1.15
Pittsburgh, Buffalo, and common points	4.00	3.50	2.80	2.20	1.95	1.95	1.75	1.40	1.25	1.15
New York, Boston, Philadelphia, Baltimore, and common points	4.20	3.70	2.95	2.30	2.00	2.00	1.80	1.45	1.30	1.20

Rates to San Francisco from points named below, via the Canadian Pacific Railway, will be the following differentials, in cents per 100 pounds, less than rates shown above:

From—	1.	2.	3.	4.	5.	A.	B.	C.	D.	E.
Chicago, Milwaukee, and common points	25	21	17	14	14	11	11	9	7	7
Detroit, Toledo, and common points	30	25	21	17	17	13	13	10	8	7
Pittsburgh, Buffalo, and common points	32	27	23	18	18	14	14	11	9	7
New York, Boston, Philadelphia, Baltimore, and common points	40	35	25	20	20	15	15	12	10	7½

Commodity rates.—The commodity rates published on pages 7 and 8 and pages 10 to 47, both inclusive, of Transcontinental Association West-bound Tariff No. 18, effective January 1st, 1889, and current supplements thereto, will also apply via rail and lake routes to and from points as specified above, subject to rules and regulations governing said west-bound tariff and supplements thereto.

Exceptions to classification, etc.—The following articles will not be received or transported via rail and lake routes: Acid, whether in glass or iron tanks; dynamite, dualin, nitro-glycerine, gun-cotton, giant powder, Hercules powder, gunpowder, or similar explosives; phosphorus, friction matches; benzine, gasoline, naphtha, camphene, benzole; loose hay, loose cotton, loose hemp, loose tow, loose manila, loose sisal; corn husks, palm fiber or excelsior, in loose bales; gold or silverware, coin or bullion, jewels or watches.

The following articles will not be received for transportation via rail and lake routes without special authority in each case: Fire-works, fire-crackers; crude petroleum, refined petroleum; quick-lime, cast-iron water-pipe, railroad iron; articles exceeding 6 feet in height or width; articles weighing more than 1 ton each.

WITHDRAWAL OF NORTHERN PACIFIC.

Senator REAGAN. Has the Northern Pacific given notice to the Transcontinental Association of its intention to withdraw from the present association?

Mr. HANNAFORD. Yes, sir.

Senator REAGAN. Has the Southern Pacific done so also?

Mr. HANNAFORD. I do not know. I saw in the papers that they had.

Senator REAGAN. When does the notice of the Northern Pacific take effect?

Mr. HANNAFORD. On the 19th of July.

Senator REAGAN. If you withdraw from the association, in view of the fact that the law on account of water transportation does not apply to your Pacific business, will you not be in a position to compete with the Canadian Pacific?

Mr. HANNAFORD. I think so; but it would be rather an expensive sacrifice, I should think. We shall not be without the jurisdiction of the law because we are out of the association. We may be able to make a little more advantageous trade with the Canadian Pacific people.

The CHAIRMAN. The purpose of the withdrawal is to strike another bargain?

Mr. HANNAFORD. Yes, sir; I do not anticipate that the association will be dissolved.

Senator HARRIS. You think the contract needs revision?

Mr. HANNAFORD. Yes, sir; circumstances have changed since the contract was drawn up.

CANADIAN PACIFIC DIFFERENTIALS.

Senator REAGAN. Is there any just reason why such a large differential should be allowed by the various roads to the Canadian Pacific?

Mr. HANNAFORD. I do not think there is. I think the differentials allowed it are too large. I have the statistics, showing that the Canadian Pacific has done nearly all of the east-bound wool business from San Francisco this season with five or six competitors in the field, which demonstrates, I think, that their differential is too large.

Senator REAGAN. To use a rather strong term, has not the Canadian Pacific bluffed the other roads?

Mr. HANNAFORD. We shall see whether they have after our next meeting. If they have, we will call them.

Senator HISCOCK. The differential does not cover the hop business at Seattle, for instance, does it?

Mr. HANNAFORD. No, sir. The export business is the only business of which I complain. That does not come back into this country at all. It does not come under the supervision or the control of the Transcontinental Association. The Canadian Pacific give through bills of lading on it from Vancouver to London.

CANADIAN PACIFIC CUTS RATES.

Senator HISCOCK. And therefore what you suppose is that on that business the Canadian Pacific cut rates?

Mr. HANNAFORD. Yes, sir; that is, their ocean connections. They own their own ocean lines.

Senator HISCOCK. That one or the other cuts rates?

Mr. HANNAFORD. Yes, sir; I think so, from the fact that they get so much of the business.

Senator HISCOCK. That the Canadian Pacific make rates below their advertised rates?

Mr. HANNAFORD. Yes, sir.

Senator HISCOCK. The hops are all shipped from some Canadian port?

Mr. HANNAFORD. Yes, sir. They all leave the Sound from some Canadian port. I am not in a position to tell whether a through bill of lading was given on them from Seattle or not.

Senator HISCOCK. In addition to the hop business, how much freight in bulk do you suppose there is on which the Canadian Pacific cuts rates, either on the land rate or else get a drawback from the steamship—make some arrangement with the steamers to make a less rate, so as to make the export rate less. What else is there?

Mr. HANNAFORD. Very little of anything. So far as our competition is concerned, there is nothing. I do not know how it is on the Asiatic business. We are not competitors of the Canadian Pacific on that business.

Senator HISCOCK. So far as Asiatic business is concerned, that is something with which we have nothing to do any way. That business they take on their own steamers and on their own soil.

The CHAIRMAN. Keep it on their own soil?

Mr. HANNAFORD. Yes, sir; practically.

Senator HISCOCK. So that under any circumstances, even if the Canadian Pacific were brought under the interstate commerce law, you could not compete with them for that business?

Mr. HANNAFORD. We do not claim to be competitors of the Canadian Pacific for that business.

Senator HISCOCK. I think you said that so far as all freight is concerned, except the San Francisco freight, there is no differential.

Mr. HANNAFORD. No, sir. But there is a differential on passengers,

NORTHERN PACIFIC AND CANADIAN PACIFIC TRAFFIC.

The CHAIRMAN. What is the number of passengers carried west during the last year, if you have any idea?

Mr. HANNAFORD. We ourselves carried about 36,000 to points west of Spokane Falls and west during the last year.

The CHAIRMAN. Do you refer to Spokane Falls in Washington Territory?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. Do you think the Canadian Pacific got about as many as you did?

Mr. HANNAFORD. No, sir; I hardly think so. It is possible they did, but I should say hardly as many. They carry quite a large first-class summer trade, but it is a trade which I think is carried to the satisfaction of all lines. It is what we call round-trip trade. The passengers usually go over one line and come back on another. The Canadian Pacific, being new and having considerable reputation for its mountain scenery, is apt to get that trade either one way or the other. All the rest of the lines are satisfied if they get it one way. That swells the number of their passengers quite largely. Then they have this Asiatic business, which amounts to something.

Senator HISCOCK. The Canadian Pacific and your line are about the same length?

Mr. HANNAFORD. Yes, sir, practically.

Senator HISCOCK. Which road can be operated the more cheaply?

Mr. HANNAFORD. I do not know. I have had no experience in that department of railroading.

Senator HISCOCK. Do you know which has the better grade?

Mr. HANNAFORD. No, sir.

Senator HISCOCK. How about coal; has the Canadian Pacific any advantage over you as respects coal?

Mr. HANNAFORD. I do not know. They have coal along their line. They mine some anthracite coal on their own line, which we have not. I should say they had no advantage over us on that score. We have just opened large coal-fields about midway on our line.

The CHAIRMAN. Is it bituminous coal?

Mr. HANNAFORD. No, sir.

The CHAIRMAN. Is your road interrupted to any great extent by snow?

Mr. HANNAFORD. No, sir; it has not been of late years to amount to anything.

The CHAIRMAN. Why not of late years as well as in previous years?

Mr. HANNAFORD. I think we know how to handle it better. We have heavier engines and good snow plows.

The CHAIRMAN. Are you required to use snow-sheds?

Mr. HANNAFORD. Only a couple of miles on the whole length of road, a little on the Cascade division and a little in the Rockies.

The CHAIRMAN. Do you know whether the Canadian Pacific is interrupted by snow more or less than your road?

Mr. HANNAFORD. I do not know except what I see in the papers, but I should say more. Of course a railroad man naturally looks to see if the other man's road is closed up.

The CHAIRMAN. Is settlement going on along the line of your road?

Mr. HANNAFORD. Yes, sir.

The CHAIRMAN. On which part of the road is the most settlement going on?

Mr. HANNAFORD. In Washington Territory, very largely.

The CHAIRMAN. Does your road run through Dakota?

Mr. HANNAFORD. Yes, sir; and Montana, Idaho, and Washington Territories, and Wisconsin and Minnesota.

The CHAIRMAN. Have you any complaints to make against the Canadian Pacific or on any other point?

Mr. HANNAFORD. No, sir; we make very few complaints; we are close neighbors.

STATEMENT OF GEORGE BELL REEVE.

Mr. GEORGE BELL REEVE, traffic manager of the Chicago and Grand Trunk Railroad Company, appeared.

The CHAIRMAN. Where do you reside?

Mr. REEVE. In Chicago.

The CHAIRMAN. What is your business?

Mr. REEVE. I am traffic manager of the Chicago and Grand Trunk Railroad Company.

The CHAIRMAN. That is a line between here and Port Huron?

Mr. REEVE. Yes, sir.

THE GRAND TRUNK'S TRAFFIC FROM CHICAGO.

The CHAIRMAN. Give us the volume of business over your line from Chicago?

Mr. REEVE. Taking it for what period?

The CHAIRMAN. For 1888, or any recent year, or as near to the present time as you can.

Mr. REEVE. I can not give you the figures exactly from memory, but I can send for them at short notice.

The CHAIRMAN. Do you know what percentage of the east-bound traffic from Chicago you are doing?

Mr. REEVE. In the year 1888 we did about 21 per cent.

The CHAIRMAN. Have you not done a larger percentage of the business since?

Mr. REEVE. Taking it from the first of January to the end of June, I think not.

The CHAIRMAN. It averaged about the same, did it?

Mr. REEVE. About the same.

The CHAIRMAN. Has your business increased or diminished or held about the same for the last two or three years?

Mr. REEVE. For the last twelve months it has increased.

The CHAIRMAN. About how much over what it was before?

Senator HISCOCK. You mean the percentage has increased?

Mr. REEVE. The percentage has increased.

Senator HISCOCK. As compared with the other roads?

Mr. REEVE. Yes, sir.

The CHAIRMAN. About what has been the increase?

Mr. REEVE. About 6 per cent. over the year previous.

WEIGHING IN HOPPER SCALES.

The CHAIRMAN. How do you account for that increase?

Mr. REEVE. Two years ago the Legislature of the State of Illinois passed an act providing that all railways should supply appliances for

keeping the identity of car-loads and for weighing in hopper scales. We complied with the law at the earliest possible moment, and the shippers generally gave us business on that account in preference to any other line, and because hopper-scale weights were absolutely correct. Since we have adopted that principle we have not had a single claim or complaint of underweight or overweight, and that has been considered very satisfactory by the trade, both in the West here and in the East. Shippers who never gave us any business prior to adopting the hopper scales, now give us all their business to points that we can reach.

The CHAIRMAN. Particular shippers you mean?

Mr. REEVE. Almost the entire trade will give us preference on that account.

The CHAIRMAN. Are not the other roads complying with that statute?

Mr. REEVE. No, sir; the Fort Wayne have got what they call a Jumbo transfer. It is a car transfer. The hopper scale is in the car, and the weights are not as satisfactory as in a standard, steady building. The Baltimore and Ohio has adopted a somewhat similar transfer to ours; but the other roads have not yet done so.

The CHAIRMAN. I believe the statute prescribes the particular method by which the weighing shall be done.

Mr. REEVE. It does, sir.

The CHAIRMAN. And you have literally followed the statute, have you?

Mr. REEVE. Yes, sir.

The CHAIRMAN. And the other roads have not?

Mr. REEVE. No, sir; the weighing is done under the supervision of the Board of Trade weigh-master.

Senator REAGAN. Will you please describe the process of weighing the cargoes?

Mr. REEVE. We put the loaded cars from the Western roads on one track and unload them into an elevator pit. It is then lifted to hopper scales, which are 84 feet from the ground, and when we get the entire load transferred into the hopper we weigh it in one part. It is then shipped out and loaded in empty cars on the other side of the elevator ready to go east.

The CHAIRMAN. Is this grain to which you refer?

Mr. REEVE. All kinds of grain.

The CHAIRMAN. That does not apply to miscellaneous goods?

Senator REAGAN. Such as flour and meat?

Mr. REEVE. No, sir; it does not apply to miscellaneous goods.

The CHAIRMAN. It applies to the weighing of wheat, oats, and corn; but does it apply to flour?

Mr. REEVE. Not to flour.

The CHAIRMAN. And that you say gives you an increase of business that you would not have but for a compliance with the statute?

Mr. REEVE. Yes, sir.

The CHAIRMAN. What is the character of the bulk of your business east?

Mr. REEVE. Heavy grain—wheat and corn; principally corn.

THE GRAND TRUNK'S DRESSED-BEEF TRAFFIC.

The CHAIRMAN. Do you do very much business in the dressed-beef trade?

Mr. REEVE We do a very large percentage of the dressed-beef trade.

The CHAIRMAN. What percentage?

Mr. REEVE. This year, from the 1st of January to the end of June, about 29 per cent.

The CHAIRMAN. Of the whole trade?

Mr. REEVE. Of the whole trade. That is much less than we carried in 1886 and 1887. We carried up to that time about 55 to 60 per cent.

The CHAIRMAN. How did that happen to be so?

Mr. REEVE. The Grand Trunk Railway of Canada has always fostered the dressed-beef traffic. They were not a cattle line on account of their route, and they fostered the dressed-beef trade from its infancy. It increased year by year, and it was only natural that the Grand Trunk route should get the major part of that business. At that time the business went entirely over the Michigan Central and the Grand Trunk from Detroit and Windsor. The Chicago Grand Trunk was not built at that time. We consequently held on to the large percentage up to the fall of 1886, when the other lines made an attack on the traffic by reducing the rates, and before they got through made the rate as low as 6 cents. They naturally took a large portion of the traffic from the Grand Trunk at that time.

The CHAIRMAN. In what year was that?

Mr. REEVE. In the fall of 1886 and almost the entire year of 1887.

THE GRAND TRUNK AND THE INTERSTATE LAW.

The CHAIRMAN. In the transaction of business by your road between Chicago and New York, and Boston and Portland, do you observe the interstate commerce act?

Mr. REEVE. Yes, sir; absolutely.

The CHAIRMAN. To what extent do you regard it as in force in business done partly within Canadian jurisdiction?

Mr. REEVE. I consider the interstate commerce law as in force just as much on interstate traffic going through Canada as it is on interstate traffic going through the United States. The only traffic, as I understand, to which the interstate-commerce law does not apply is traffic from one point in Canada to another point in Canada; but as respects all traffic passing from the Western States to the Eastern States through Canada, and *vice versa*, I consider the interstate commerce act to be complied with absolutely. In fact, we treat Canada as one of the States of the United States in that respect.

The CHAIRMAN. And as to all traffic going out of the United States into Canada for consumption or coming from Canada into the United States for consumption, you regard the law as in force?

Mr. REEVE. Yes, sir; and on all export traffic as well.

The CHAIRMAN. With respect to traffic that goes out of Chicago to Montreal for export, do you regard that as under the interstate commerce act?

Mr. REEVE. Yes, sir.

The CHAIRMAN. And do you observe it on that business?

Mr. REEVE. Yes, sir.

The CHAIRMAN. Literally?

Mr. REEVE. Literally.

The CHAIRMAN. Have you ever had any occasion to be called upon by the Interstate Commerce Commission for any violation of the act in the way of the payment of rebates, or anything of that sort?

Mr. REEVE. No, sir.

The CHAIRMAN. So far as your department is concerned.

Mr. REEVE. So far as the Chicago and Grand Trunk, and the Detroit, Grand Haven and Milwaukee Railways, which I also represent, are concerned.

The CHAIRMAN. What is the proportion of the traffic going over the Chicago and Grand Trunk Railway, and the Grand Trunk proper, for export, if you know?

Mr. REEVE. I can only give an approximate guess at that. It would be somewhere between 20 and 25 per cent.

EXPORT RATES OVER THE GRAND TRUNK.

The CHAIRMAN. It has been intimated by one or two gentlemen who have been before us that you observe the interstate commerce act, so far as the publication of rates is concerned, in your shipments inland for exportation, but that your connection with steam-ships is used as an advantage to the shipper, so that a man shipping over your road for exportation gets an advantage on the ocean that a man shipping over an American road fails to get. Do you know anything about that?

Mr. REEVE. Some time ago, and in fact prior to the time the Interstate Commerce Commission gave a ruling in regard to export traffic, stating that the inland rate must be the tariff rate, the Grand Trunk Railway of Canada had an agreement with the steam-ship company on a percentage basis. It enabled me to make the same rate as was quoted by way of Baltimore and Philadelphia, if necessary, and the steam-ship company got a percentage of that through rate, and the percentage accruing to the inland carrier varied from time to time. Those through rates were always published, and were made public just the same as our rates are now since the ruling of the Interstate Commerce Commission. Since their ruling the Grand Trunk canceled entirely its agreement with the steam-ship companies, and we are now making our through rates under the ruling of the Commission mainly by getting the ocean rate from the steam-ship company and adding the inland rate to their rate, making a through rate. And since that agreement the inland carrier has had its full inland tariff, and the steam-ship company has had their rate as stipulated to us.

The CHAIRMAN. And you have no secret arrangement with the steam-ship company by which they supply you a secret lower rate than to others?

Mr. REEVE. We have no secret rate with them, but ask them from time to time to give us a rate by way of Boston or New York, where we do a large export business, and we treat the Montreal line now just the same as we do the lines out of New York and Boston.

The CHAIRMAN. It was stated to the committee in Detroit by a lumberman that he could ship over your road to New York for exportation, and could get from the steam-ship line one dollar and a quarter per 1,000 feet less rate than he could by shipping on an American or any other road. I have not been able to find out how that could be done unless there was some secret arrangement between your road and the steam-ship line.

Mr. REEVE. I think that may refer to traffic from Detroit. I know of no such case as that by our line.

TRAFFIC OUT OF CHICAGO.

Senator HISCOCK. What was the highest percentage of traffic you ever carried out of Chicago?

Mr. REEVE. There are two classes of traffic and we treat them differently. One is the dead-freight traffic, and the other is the live-stock and dressed-beef traffic. We keep these two separate.

Senator HISCOCK. Take the dead traffic.

Mr. REEVE. The highest we ever carried in one week was 39 per cent.

Senator HISCOCK. What percentage of the other?

Mr. REEVE. Of the dressed beef?

Senator HISCOCK. Yes.

Mr. REEVE. The highest of the dressed beef this year has been 29 per cent.

Senator HISCOCK. For how long a period of time?

Mr. REEVE. Only one week.

Senator HISCOCK. Of the dead freight it was 39 per cent. and of the live-stock traffic it was 29 per cent. Was this for only a week?

Mr. REEVE. That is all. Our billing, through some error, was not sent in for a whole week; not reported to the Central Traffic Association, and that made a difference of about 11 per cent. The published report of 39 per cent. was therefore erroneous.

Senator HISCOCK. What you mean by that is, that your reports were not all in for the week previous, and coming in later added to the subsequent week and made up to that per cent.

Mr. REEVE. Yes, sir.

Senator HISCOCK. What was it the week previous?

Mr. REEVE. Twenty-three per cent.

Senator HISCOCK. So really for that week it should have been 33 per cent.?

Mr. REEVE. Yes, sir.

Senator HISCOCK. And for this subsequent week you speak of, it should have been 29 instead of 39.

Mr. REEVE. Yes, sir.

Senator HISCOCK. And how much would be added to the live freight for the week previous?

Mr. REEVE. I do not remember.

Senator HISCOCK. Would 10 per cent. cover it?

Mr. REEVE. It might be 2 per cent. higher or 2 per cent. lower.

Senator HISCOCK. Do you remember whether there was any very great change?

Mr. REEVE. There was no very great change.

Senator HISCOCK. And this percentage was in existence for only one week.

Mr. REEVE. That is all.

Senator HISCOCK. Will you furnish to the committee statements showing the returns to the Central Traffic Association?

Mr. REEVE. Yes, sir; I shall do so.

Senator HISCOCK. Taking the entire month in which were included those two weeks, your percentage was not any higher than for the month preceding and the month subsequent.

Mr. REEVE. I think not.

EAST-BOUND SHIPMENTS FROM CHICAGO.

The statement is as follows:

CENTRAL TRAFFIC ASSOCIATION,
OFFICE OF THE CHAIRMAN,
Chicago, July 20, 1889.

SPECIAL STATEMENT.

***East-bound dead-freight tonnage forwarded from Chicago and vicinity to and east of the trunk lines' western termini for the years* 1886, 1887, 1888, *and first half of* 1889.**

[Including business from Joliet, Matteson, Bloom, Dyer, Spencer, Frankfort, Blue Island, Elsdon, Englewood, Grand Crossing, South Chicago, Washington Heights, and Stony Island. Also from Kankakee and Seneca September 1, 1886, to January 31, 1889; from South Lawn since February 1, 1889, and from Kensington since January 1, 1889.]

Month.	Roads.	1886.		1887.		1888.		1889.	
		Tons.	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*
Jan....	C. & G. T.....	17,217.00	10.5	26,994.68	15.2	34,527,86	16.9	40,704.00	16.9
	M. C	32,952.00	20.1	30,994.56	17.5	41,757.71	20.4	40,440.00	16.8
	L. S. & M. S	25,008.00	15.3	34,566.00	19.4	35,041.48	17.1	30,437.00	12.6
	P., Ft. W. & C.....	34,171.00	20.8	28,524.80	16.1	36,508.07	17.9	47,546.00	19.7
	C., St. L. & P.....	21,597.00	13.2	15,089.99	8.5	17,659.04	8.6	16,440.00	6.8
	B. & O	20,209.00	12.3	9,838.78	5.5	22,183.29	10.8	34,498.00	14.3
	N. Y., C. & St. L..	12,839.00	7.8	14,975.02	8.4	15,528.90	7.6	29,363.00	12.2
	C., I., St. L. & C ..	.....	.....	16,786.66	9.4	1,413.77	0.7	1,035.00	0.7
	Total.....	163,993.00	100.0	177,770.49	100.0	204,620.12	100.0	241,063.00	100.0
Feb....	C. & G. T.....	38,693.68	18.7	18,887.97	11.6	30,582.25	14.2	42,703.00	19.3
	M. C	42,088.55	20.3	24,295.66	14.9	28,875.34	13.4	34,499.00	15.6
	L. S. & M. S	25,515.12	12.3	31,623.98	19.4	39,165.91	18.1	28,569.00	12.9
	P., Ft. W. & C.....	36,944.62	17.9	41,004.98	25.2	37,046.98	17.1	39,516.00	17.8
	C., St. L. & P.....	24,635.36	11.9	19,435.92	11.9	20,621.81	9.5	26,679.00	12.0
	B. & O.....	13,127.64	6.4	12,261.16	7.5	38,790.82	17.9	22,992.00	10.4
	N. Y., C. & St. L..	25,722.50	12.5	11,436.08	7.0	18,573.46	8.6	26,540.00	12.0
	C., I., St. L. & C ..	.....	.....	4,028.93	2.5	2,669.20	1.2	.....	.....
	Total.....	206,647.47	100.0	162,974.68	100.0	216,325.77	100.0	221,498.00	100.0
Mar ...	C. & G. T.....	31,631.77	17.0	41,369.34	14.9	54,637.32	21.4	58,611.00	26.5
	M. C	34,244.81	18.4	25,860.05	9.3	31,315.84	12.2	32,072.00	14.5
	L. S. & M. S	45,330.79	24.3	35,203.63	12.7	36,442.93	14.2	29,153.00	13.2
	P., Ft. W. & C.....	28,409.17	15.3	70,916.09	25.5	46,481.15	18.2	37,209.00	16.8
	C., St. L. & P	13,824.21	7.4	37,965.74	13.7	35,592.36	13.9	19,822.00	9.0
	B. & O.....	21,779.80	11.6	36,088.56	13.0	26,426.65	10.3	22,497.00	10.2
	N. Y., C. & St. L..	11,090.99	6.0	26,793.98	9.6	22,963.18	9.0	21,556.00	9.8
	C., I., St. L. & C ..	.....	.....	3,645.07	1.3	2,060.40	0.8	.....	.....
	Total.....	186,311.54	100.0	277,842.46	100.0	255,919.83	100.0	220,920.00	100.0
Apr ...	C. & G. T.....	14,530.01	11.0	16,546.39	11.6	42,254.94	20.6	24,885.00	17.2
	M. C	23,698.04	18.0	16,050.99	11.2	29,200.83	14.2	25,425.00	17.5
	L. S. & M. S	19,081.62	14.4	27,983.72	19.5	30,959.66	15.1	22,867.00	15.8
	P., Ft. W. & C.....	30,499.79	23.0	28,720.88	20.0	37,337.08	18.2	30,659.00	21.1
	C., St. L. & P.....	18,082.84	13.6	14,541.91	10.1	19,765.12	9.6	12,116.00	8.4
	B. & O.....	17,068.42	12.9	13,441.04	9.4	22,937.29	11.2	16,823.00	11.6
	N. Y., C. & St. L..	9,482.33	7.1	25,792.70	18.0	20,044.64	9.7	12,249.00	8.4
	C., I., St. L. & C ..	.....	.....	302.43	0.2	2,826.52	1.4	.....	.....
	Total.....	132,443.05	100.0	143,380.06	100.0	205,326.08	100.0	145,024.00	100.0
May ...	C. & G. T.....	14,544.48	12.2	16,490.96	13.2	17,423.00	11.9	24,103.00	17.1
	M. C	15,503.08	13.0	17,795.82	14.3	21,011.00	14.6	25,973.00	18.4
	L. S. & M. S	19,947.18	16.7	21,322.86	17.1	27,512.00	19.1	23,993.00	16.9
	P., Ft. W. & C.....	30,133.22	25.3	25,441.08	20.4	33,561.00	23.3	28,437.00	20.1
	C., St. L. & C	21,950.15	18.4	12,098.58	9.7	11,996.00	8.3	9,690.00	6.8
	B. & O.....	7,836.32	6.6	19,759.64	15.8	17,118.00	11.9	18,900.00	13.4
	N. Y., C. & St. L..	9,277.76	7.8	10,112.30	8.1	13,686.00	9.5	10,343.00	7.3
	C., I., St. L. & C ..	.....	.....	1,736.01	1.4	1,968.00	1.4	.....	.....
	Total.....	119,192.19	100.0	124,757.25	100.0	143,975.00	100.0	141,499.00	100.0
June...	C. & G. T.....	16,614.78	13.5	22,936.05	14.8	18,252.00	15.3	23,396.00	16.6
	M. C	18,897.62	15.2	22,476.28	14.5	16,371.00	13.7	27,915.00	19.8
	L. S. & M. S	17,624.75	14.3	23,263.08	15.0	20,282.00	17.0	28,442.00	20.1
	P., Ft. W. & C.....	28,441.72	23.0	32,467.94	21.0	27,525.00	23.1	21,911.00	15.5
	C., St. L. & P.....	20,608.04	16.7	15,824.32	10.2	11,181.00	9.4	8,450.00	6.0
	B. & O.....	11,331.09	9.2	25,535.25	16.5	13,804.00	11.6	21,206.00	15.0
	N. Y., C. & St. L..	9,800.41	8.0	9,736.22	6.3	10,839.00	9.1	9,829.00	7.0
	C., I., St. L. & C ..	.....	.....	2,696.37	1.7	846.00	0.8	.....	.....
	Total.....	123,318.41	100.0	154,935.51	100.0	119,100.00	100.0	141,149.00	100.0

East-bound dead-freight tonnage forwarded from Chicago, etc.—Continued.

Month.	Roads.	1886.		1887.		1888.		1889.	
		Tons.	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*
July...	C. & G. T.....	17,963.76	15.3	19,160.71	11.9	17,683.00	14.9	.....	.....
	M. C	20,455.45	17.4	26,640.54	16.6	18,072.00	15.2	.....	.....
	L. S. & M. S	17,727.00	15.1	23,309.33	14.5	22,835.00	19.2	.....	.....
	P., Ft. W. & C....	26,579.76	22.7	42,029.40	26.1	25,546.00	21.5	.....	.....
	C., St. L. & P.....	17,092.49	15.0	23,498.59	14.6	13,038.00	10.9	.....	.....
	B. & O.....	8,737.72	7.4	14,807.51	9.2	11,765.00	9.9	.....	.....
	N. Y., C. & St. L..	8,300.85	7.1	9,721.93	6.0	9,121.00	7.7	.....	.....
	C., I., St. L. & C..	.....	.....	1,760.40	1.1	880.00	.7	.....	.....
	Total.....	117,457.03	100.0	160,988.41	100.0	118,940.00	100.0	.....	.....
Aug...	C. & G. T.....	10,905.66	9.4	14,497.18	9.9	18,351.00	13.1	.....	.....
	M. C	31,297.59	27.0	24,784.36	16.8	21,332.00	15.2	.....	.....
	L. S. & M. S	20,967.00	18.1	24,002.22	16.3	26,299.00	18.7	.....	.....
	P., Ft. W. & C....	22,850.13	19.7	34,565.83	23.5	33,538.00	23.9	.....	.....
	C., St. L. & P.....	13,780.36	11.9	15,487.82	10.5	12,794.00	9.1	.....	.....
	B. & O	7,912.97	6.8	22,445.56	15.2	14,242.00	10.2	.....	.....
	N. Y., C. & St. L..	8,219.28	7.1	10,463.32	7.1	12,594.00	9.0	.....	.....
	C., I., St. L. & C..	.....	.....	964.60	.7	1,135.00	.8	.....	.....
	Total.....	115,932.99	100.0	147,210.89	100.0	140,285.00	100.0	.....	.....
Sept...	C. & G. T.....	13,602.20	7.2	21,276.65	12.3	20,901.00	13.2	.....	.....
	M. C	40,394.20	27.4	41,525.78	24.0	27,882.00	17.5	.....	.....
	L. S. & M. S	27,945.46	19.1	24,855.70	14.3	26,687.00	18.7	.....	.....
	P., Ft. W. & C....	27,709.28	18.8	36,162.38	20.9	33,176.00	20.9	.....	.....
	C., St. L. & P.....	16,295.93	11.1	11,162.56	6.4	16,027.00	10.1	.....	.....
	B. & O	8,074.66	5.5	22,678.59	13.0	20,256.00	12.7	.....	.....
	N. Y., C. & St. L..	14,333.21	9.7	15,334.12	8.9	12,963.00	8.2	.....	.....
	C., I., St. L. & C..	1,826.99	1.2	349.67	.2	887.00	.6	.....	.....
	Total.....	147,181.93	100.0	173,345.45	100.0	158,779.00	100.0	.....	.....
Oct....	C. & G. T.....	13,481.31	8.0	21,929.66	12.3	32,842.00	15.8	.....	.....
	M. C	34,284.68	20.4	35,008.73	19.6	40,638.00	19.6	.....	.....
	L. S. & M. S	31,181.43	18.5	26,874.50	15.0	31,603.00	15.2	.....	.....
	P., Ft. W. & C....	32,534.80	19.3	35,663.26	19.9	43,785.00	21.1	.....	.....
	C., St. L. & P.....	21,380.06	12.7	19,162.30	10.7	21,524.00	10.4	.....	.....
	B. & O	10,569.40	6.3	20,129.07	11.3	16,406.00	7.9	.....	.....
	N. Y., C. & St. L..	15,082.04	9.0	19,316.13	10.8	20,043.00	9.7	.....	.....
	C., I., St. L. & C..	9,830.54	5.8	723.36	.4	596.00	.3	.....	.....
	Total.....	168,344.32	100.0	178,807.01	100.0	207,437.00	100.0	.....	.....
Nov ..	C. & G. T.....	8,107.90	5.4	29,105.67	13.7	40,514.00	20.2	.....	.....
	M. C	25,875.39	17.1	37,373.16	17.6	36,195.00	18.1	.....	.....
	L. S. & M. S.....	28,665.74	19.0	33,709.30	15.9	33,220.00	16.6	.....	.....
	P., Ft. W. & C....	36,323.00	24.0	49,573.15	23.4	37,058.00	18.5	.....	.....
	C., St. L. & P.....	17,735.05	11.7	18,155.83	8.6	15,432.00	7.7	.....	.....
	B. & O	17,447.07	11.5	18,856.48	8.9	18,684.00	9.3	.....	.....
	N. Y., C. & St. L..	15,464.04	10.2	24,018.07	11.3	18,796.00	9.4	.....	.....
	C., I., St. L. & C..	1,684.76	1.1	1,266.11	.6	444.00	.2	.....	.....
	Total.	151,302.95	100.0	212,057.77	100.0	200,343.00	100.0	.....	.....
Dec....	C. & G. T.....	48,609.04	20.2	52,699.87	17.8	72,983.00	18.5	.....	.....
	M. C	49,077.09	20.4	61,057.00	20.6	64,457.00	16.3	.....	.....
	L. S. & M. S	36,526.81	15.2	54,181.90	18.3	68,988.00	17.4	.....	.....
	P., Ft. W. & C....	35,324.22	14.7	54,952.39	18.6	57,016.00	14.4	.....	.....
	C., St. L. & P.....	22,196.76	9.2	24,512.29	8.3	22,715.00	5.7	.....	.....
	B. & O	22,835.05	9.5	22,992.52	7.8	61,351.00	15.5	.....	.....
	N. Y., C. & St. L..	20,035.17	8.4	23,449.20	7.9	47,403.00	12.0	.....	.....
	C., I., St. L. & C..	5,658.88	2.4	2,127.58	.7	925.00	.2	.....	.....
	Total.....	240,263.02	100.0	295,972.75	100.0	395,838.00	100.0	.....	.....

East-bound dead-freight tonnage forwarded from Chicago, etc.—Continued.

RECAPITULATION BY YEARS.

Roads.	1886.		1887.		1888.		First half of 1889.	
	Tons.	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*	*Tons.*	*Per ct.*
C. & G. T	242,901.59	12.9	301,895.13	14.0	400,651.37	16.9	214,462.00	19.3
M. C	368,688.50	19.7	363,862.93	16.4	377,107.72	15.9	186,324.00	16.8
L. S. & M. S	315,520.90	16.9	360,896.22	16.3	399,035.98	16.9	162,461.00	14.7
P., Ft. W. & C	369,620.77	19.7	480,022.18	21.7	448,578.28	18.9	295,278.00	18.5
C., St. L. & P	229,778.25	12.3	226,935.85	10.2	218,345.33	9.2	93,197.00	8.4
B. & O	166,929.14	8.9	238,894.16	10.7	283,964.05	11.9	136,916.00	12.3
N. Y. C. & St. L	159,647.58	8.5	201,140.07	9.1	222,555.18	9.6	109,880.00	9.9
C. I., St. L. & C	*19,001.17	1.1	36,387.19	1.6	16,650.89	0.7	†1,635.00	0.1
Total	1,872,387.90	100.0	2,210,042.73	100.0	2,366,888.80	100.0	1,111,153.00	100.0

C. H. McKNIGHT,
Secretary.

Certified correct,
H. G. SMITH, *Accountant.*

Approved by
G. R. BLANCHARD, *Chairman.*

NOTE.—Chicago and Atlantic Railway business not reported to this office.

* The tonnage shown for C., I., St. L. & C. Ry. for year 1886 represents only the business of that road from September 1 to December 31, reports of business prior to September 1, 1886, not having been made to this office.

† The tonnage shown for C., I., St. L. & C. Ry. for the first half of year 1889, represents only the business of that road for the month of January, 1889, as reports of business from February 1, 1889, have been discontinued.

The CHAIRMAN. I think this would be a good time to take a recess. There seems to be no gentleman in the room who is prepared to be heard now.

At 12 o'clock m. the committee took a recess until 2 o'clock p. m.

At the expiration of the recess the committee resumed its session.

STATEMENT OF WILLIAM C. GOUDY.

Mr. WILLIAM C. GOUDY, an attorney at law of Chicago, appeared.

The CHAIRMAN. You have read the resolution of the Senate, I take it, under which the committee is pursuing its investigation?

Mr. GOUDY. I believe I have seen it.

The CHAIRMAN. Then please take up the subject and discuss it in your own way.

Mr. GOUDY. I have not given much attention to the traffic which extends into Canada. That belongs rather to the officers who are attending to the operating department of the roads. I know that a competition exists between competitive lines in regard to that business, and that there is an inability of the carriers, which are subject to the act of Congress, to compete successfully with the lines that run into Canada. It is understood that they so manipulate the rates that they are lower on such lines of railway than upon those entirely within the United States. I see no difficulty about Congress having power to control that business. It can be done under the laws which give the power to regulate commerce with foreign nations, or it can be done under the provision of the Constitution which authorizes the levy of duties or imposts.

The CHAIRMAN. Which do you think is probably the better way under the Constitution?

Mr. GOUDY. Not being entirely familiar with the operation of the railways, I do not know that my opinion about that would be worth

much. It might be accomplished by resorting to both of those methods, perhaps.

The CHAIRMAN. There is a clause in the interstate-commerce act now, as you are perhaps aware, that seeks to require payment of duty in case the law is not complied with in reference to publication of rates, etc.

Mr. GOUDY. I know that, but I have never heard of any effort to enforce it. It has seemed to me that a remedy exists for that and other kindred difficulties, if Congress would see fit to exercise its power to take control of all the carriers that are called interstate, and all of the business of those carriers, which, in my judgment, can be done under the provisions of the Constitution.

POWER OF CONGRESS TO REGULATE TRAFFIC WITHIN THE STATES.

The CHAIRMAN. I should like to hear you on the question of the constitutional power of the Government to take control of all the business of railroads doing an interstate business, if that is the proposition you lay down.

Mr. GOUDY. My proposition is that Congress can regulate all of the business of an interstate railway, and also all of the business of a State railway engaged in interstate business, when necessary to make effectual regulations of commerce with foreign nations or among the several States. The Constitution provides that Congress shall have power to regulate commerce with foreign nations and among the several States. There is no limitation in the Constitution of the grant; it is plenary, absolute, and without qualification.

The Supreme Court, however, have said in several decisions that it is subject to the so-called police power of the States, and to the right of the States to pass inspection laws. That utterance was made by Chief-Justice Marshall in a very early period of the history of the country, in Brown *vs.* Maryland, 12 Wheaton, 419.

An examination of that case would show that that question was not before the court. The only point involved was as to the power to impose a license fee upon a person who was engaged in selling imported goods, and it was decided that such an act passed by the State of Maryland was in conflict with the Constitution of the United States, and therefore void.

In the argument Chief-Justice Marshall took occasion to say that they conceded that the State had reserved police power.

In the case of one hundred and twentieth—the Shelby County taxing district—where there was a drummer who had a license fee imposed on him in Tennessee, Justice Bradley, after holding that the law was invalid, because repugnant to the Constitution, went on to say that there was a police power reserved to the State, and that this power to regulate commerce was subject to that reservation.

But that question was not involved, nor has it been in other cases where similar expressions are to be found. But whenever this question of conflict between the State law and the provision of the Constitution has directly arisen the law has been held invalid. That talk of reservation of police power seems to be, if I may be permitted to use the expression, "a tub thrown to the whale."

Senator HARRIS. Before you proceed, will you allow me to ask if your argument goes to the extent of assuming that Congress has the power to regulate that commerce which begins and ends in the same State?

Mr. GOUDY. Yes, sir; that is my position, provided the business is done by a carrier which is an interstate one. Where the carrier and

the business are both confined to the limits of the same State, I think that under the Constitution the carrier and the traffic are under the control of the State.

Senator HARRIS. To illustrate and understand distinctly the premises, would a railroad beginning and ending in the same State, without any connections on either end, be purely a State carrier?

Mr. GOUDY. Yes, sir.

Senator HARRIS. Would Congress have power to regulate it so far as it did interstate business? I am assuming that the railroad over which the commerce is carried begins and ends in the same State, and has no connection at either end.

CONGRESS CAN REGULATE THE ENTIRE BUSINESS OF AN INTERSTATE CARRIER.

Mr. GOUDY. Congress has the power to regulate the interstate traffic of such a road, and if necessary to accomplish that successfully the power of regulation could embrace its entire business. Such a road may do no business except that which originates and ends in the same State, but it may, however, take freight which comes to it from another State and carry it through that State or to some point within the State. There has been some confusion as to what traffic is within the definition of interstate commerce. If freight is shipped from a point in one State to a point in another State, directed to a point in another State, that is interstate business. Such a carrier may do interstate business by taking up this through freight and carrying it to the extent of its line; so far as that carrier is engaged in doing this interstate business, I think Congress can take the control of it.

In the Daniel Ball case, 10 Wallace, there was a steam-boat running on the Grand River in the State of Michigan. It ran from a point up the river to its mouth at Grand Rapids, on Lake Michigan. It had no connections whatever with any other carrier. It received some freight on the river destined to Milwaukee, which was billed and shipped to be carried by the Daniel Ball to Grand Rapids, but it was directed to a consignee in Milwaukee.

The Daniel Ball had no arrangement with any other carrier whatever. Its duties began with the shipment of that freight at the up-river point, and ended with the landing of it at Grand Rapids. The Supreme Court held that the shipment was interstate, and that the Daniel Ball was subject to the law of Congress, and was required to take out a license in pursuance of an act of Congress. So too, when freight is carried from a point in a State to another in the same State, but passes through another State on the route, the business is a part of interstate commerce.

The case of Hall *vs.* DeCuir, 95 U. S. 485, is an authority as to the carriers who are interstate. This was a case where there was a steamboat running from New Orleans, in the State of Louisiana, to Vicksburg, in the State of Mississippi. The State of Louisiana passed an act, in obedience to the constitution of that State, providing that there should be no discrimination made by a carrier on account of color, and that a colored passenger was entitled to the same privileges and treatment on board steam-boats as a white person.

A negro woman got on a boat, the *Governor Allen* by name, at New Orleans, destined to Hermitage, both points being in Louisiana. The captain declined to give her accommodations in the cabin set apart for white people. She brought suit and recovered a judgment against the

owner of the vessel. The case went to the Supreme Court of the United States, and the only question was whether that statute was valid. The court held that it was void, because it was repugnant to the provision of the Constitution of the United States; that although this steam-boat was doing business between points in the State of Louisiana, yet it was also engaged in transporting passengers and freight to Vicksburg, in the State of Mississippi, and therefore the captain had a right to make regulations with reference to the business with other States. As the statute in Louisiana conflicted with his right to make his own rules with reference to such interstate business, it was void, even when applied to the business entirely within Louisiana.

The principle established by the Ball case is, that a State carrier transacting some interstate business is subject to the control of Congress; the principle asserted in Hall *vs.* De Cuir is, that an interstate carrier engaged to some extent in doing State business may be controlled by Congress; the principle common to both cases is, that the power of the State in all cases where interstate business is done or an interstate carrier exists, must yield to the paramount power of Congress to regulate commerce. The inference is inevitable that it is only when a railway lies within the limits of a State and confines itself to freight and passengers taken and discharged in the same State, that State legislation is superior to Federal legislation. There is no police power reserved to the States which operates as a limitation upon the grant to Congress to regulate commerce. I think when the test is applied it will be seen that Congress alone has the right to enact police regulations with reference to interstate traffic and with reference to interstate carriers.

Allow me to illustrate: Several of the States have enacted laws requiring that a particular kind of coupler shall be used; others, providing how a passenger car shall be heated; some States providing one way and some another. If a car should start at New York, destined to the Missouri River, it would pass through six or eight States. In going through these States it would find that one State required a particular kind of coupler or heater, and another a different kind of coupler or heater.

Now if those laws passed by the different States requiring these various modes of coupling and heating are valid they would have the effect of requiring a change of couplers and heaters at every State line. That is purely a police regulation, yet it conflicts with the power of Congress to regulate commerce among the several States.

The right of a State to enact police laws is sometimes asserted on the ground that the franchise was derived from the State, by virtue of which the road was constructed. It is true that most of the railway corporations were organized under State authority, but where they have been consolidated and have become interstate roads it has been by the consent of the State; so that the States which have thus permitted the consolidation have allowed the roads to become interstate lines, subject to the control of Congress. If the State has lost its power it is because of the action of the State authorities, bringing such railways within the clause granting to Congress power to regulate commerce.

THE POWER TO REGULATE COMMERCE NOT LIMITED BY THE POLICE POWERS OF THE STATES.

It was never the intention of the Supreme Court to hold that the grant of power to Congress to regulate commerce with foreign nations, among

the several States, and with the Indian tribes was limited by a reserved right to a State to make police regulations or to pass inspection laws. Whenever the point has been directly before the court the decision has been to the reverse.

If you will allow me to refer to some expressions of the Supreme Court, which go to show that this power to regulate commerce is not limited by the police power of a State, I will do so.

In Brown *vs.* Maryland, 12 Wheaton 448, Chief-Justice Marshall, after expressing the opinion that police power was reserved to the State, proceeded to make an exception as to powers granted to Congress. He says:

> It has been contended that this construction of the power to regulate commerce, as was contended in construing the prohibition to lay duties on imports, would abridge the acknowledged power of a State to tax its own citizens, or their property within its own territory.
>
> We admit this power to be sacred, but cannot admit that it may be used so as to obstruct the free course of a power given to Congress. We can not admit that it may be used so as to obstruct or defeat the power to regulate commerce. It has been observed that the powers remaining with the States may be so exercised as to come in conflict with those vested in Congress. When this happens, that which is not supreme must yield to that which is supreme. This great and universal truth is inseparable in the nature of things, and the constitution has applied it to the often interfering powers of the General and State Governments as a vital principle of perpetual operation. It results necessarily, from this principle, that the taxing powers of the States must have some limits. It can not reach and restrain the action of the National Government within its proper sphere. It can not reach the administration of justice in the courts of the Union, or the collection of the taxes of the United States, or restrain the operation of any law which Congress may constitutionally pass. It can nor interfere with any regulation of commerce.

In Henderson *v.* Mayor, etc., 92 U. S., 259, Mr. Justice Miller, in discussing the boundaries of the police power, said (p. 271):

> Whatever may be the nature and extent of that power, where not otherwise restricted, no definition of it, and no urgency for its use, can authorize a State to use it, in regard to a subject-matter which has been confided exclusively to the discretion of Congress by the Constitution.
>
> * * * * * * *
>
> It is clear, from the nature of our complex form of government, that whenever a statute of a State invades the domain of the legislation which belongs exclusively to the Congress of the United States, it is void, no matter under what class of powers it may fall, nor how closely allied to powers conceded to belong to the States.

In Walling *v.* Michigan, 116 U. S., 449, the court, speaking of the claim that the act in question was a proper exercise of the police power of the State for the discouragement of the use of intoxicating liquors, said:

> This would be a perfect justification of the act if it did not discriminate against the citizens and products of other States in a matter of commerce between the States, and thus usurp one of the prerogatives of the national legislature. The police power can not be set up to control the inhibitions of the Federal Constitution, or the powers of the United States Government created thereby.

In Bowman *v.* Chicago and Northwestern Railway Company, 125 U. S., 489, Mr. Justice Matthews quotes with approval from the opinion of Mr. Justice Catron in the License cases, 5 How., 599. Speaking of the police power as reserved to the States and the power granted to Congress over commerce, and dissenting from the decision that the law was a proper exercise of police authority, he says:

> If this be the true construction of the constitutional provision, then the paramount power of Congress to regulate commerce is subject to a very material limitation, for it takes from Congress and leaves with the States the power to determine the commodities, or articles of property, which are the subjects of lawful commerce. Congress may regulate, but the States determine what shall or shall not be regulated. Upon this theory the power to regulate commerce, instead of being paramount over

the subject, would become subordinate to the State police power; for it is obvious that the power to determine the articles which may be the subjects of commerce, and thus to circumscribe its scope and operation, is, in effect, the controlling one. The police power would not only be a formidable rival, but, in a struggle, must necessarily triumph over the commercial power, as the power to regulate is dependent upon the power to fix and determine upon the subjects to be regulated. The same process of legislation and reasoning adopted by the State and its courts could bring within the police power any article of consumption that a State might wish to exclude, whether it belonged to that which was drunk, or to food and clothing; and with nearly equal claims to propriety, as malt liquors and the produce of fruits other than grapes stand on no higher ground than the light wines of this and other countries, excluded, in effect, by the law as it now stands. And it would be only another step to regulate real or supposed extravagances in food or clothing.

In Brown *v.* Houston, 114 U. S., 630, it was declared that the power over commerce "is certainly so far exclusive that no State has power to make any law or regulation which will affect the free and unrestrained intercourse and trade between the States, as Congress has left it, or which will impose any discriminating burden or tax upon the citizens or products of other States, coming or brought within its jurisdiction."

In Railroad *v.* Husen, 95 U. S., 477, the court says:

> But whatever may be the nature and reach of the police power of a State, it can not be exercised over a subject confided exclusively to Congress by the Federal Constitution. It can not invade the domain of the National Government. It was said in Henderson *et al. v.* Mayor of the City of New York *et al.*, *supra*, to be "clear, from the nature of our complex form of government, that whenever the statute of a State invades the domain of legislation which belongs exclusively to the Congress of the United States, it is void, no matter under what class of powers it may fall, or how closely allied it may be to powers conceded to belong to the States." Substantially the same thing was said by Chief Justice Marshall in Gibbons *vs.* Ogden, 9 Wheat., 1. Neither the unlimited powers of a State to tax, nor any of its large police powers, can be exercised to such an extent as to work a practical assumption of the powers properly conferred upon Congress by the Constitution.

I think the substance of all this is that, whenever it is conceded that a carrier, as an interstate carrier, or the article of freight which is carried, is a subject of commerce, then the State, under the right to enact police regulations, has no power over it whatever.

Senator HISCOCK. Do you go to the extent of saying that the State has not power to regulate the sale?

Mr. GOUDY. Yes, sir. It has been decided repeatedly that the right to sell is a necessary part of the right to bring the article into the State, and there is no decision of the Supreme Court to the contrary.

The supreme court of Iowa recently decided that you can take liquor into the State but you can not sell it. With that exception I do not know of any decision of that kind.

Senator REAGAN. I did not exactly understand the proposition you have just made.

Mr. GOUDY. My proposition is that the power of the United States to regulate commerce is supreme and exclusive and not qualified by any right in the State to make police regulations, that whenever those police regulations relate to commerce, that is, with the regulation of an interstate carrier, or with the transactions of interstate commerce, referring both to the traffic and the articles, that they are void.

Senator REAGAN. Do you hold, Mr. Goudy, that the law passed by the State of Missouri, prohibiting the carrying through that State of Texas cattle, is not good law?

Mr. GOUDY. That act was held to be invalid. It was decided to be invalid, because it was not a proper exercise of the police power, and because it conflicted with the right to take any healthy cattle as well as diseased cattle through the State.

A line of cases, where it has been held that in the absence of action by Congress the State might legislate on the subject of interstate commerce, is apparently inconsistent with my position. The first of these cases related to harbors and bridges. In the 94th United States Reports, in the "Granger cases," the Supreme Court applied that principle more generally.

The Supreme Court held that the States might, in the absence of legislation by Congress on the subject, fix the rates that might be charged by a warehouseman or railway corporation. In the Wabash case, 118 U. S. Rep., 566, the court retracted what was said in the Munn case on that subject, and declared that the States could only make regulations upon those subjects which were local, like a bridge, or harbor, or pilotage, and that on all other subjects, where general rules were required and Congress had not acted, the absence of action by Congress was equivalent to a declaration that commerce should be free, that on these subjects the power of Congress was exclusive.

THE GREATER INCLUDES THE LESS.

Recurring to the question Senator Harris propounded awhile ago, there is the difficulty. It will certainly be conceded that so far as interstate business is concerned, either the traffic or the carrier, Congress may make such rules as it sees proper; but here is a carrier confined to the limits of a State, and I will take for illustration the most prominent, the New York Central. It begins and ends in the State of New York, and yet is engaged in both kinds of business. It is engaged in the domestic traffic, and it is engaged in the interstate traffic.

It will be conceded that Congress can regulate all the interstate business done on the New York Central. The question is, whether it can regulate the transportation of freight which is taken up within the State of New York and put down in the same State; whether Congress can regulate the manner in which a passenger taken up in one point in the State of New York and discharged at another point in the same State, shall be carried.

There are implied powers as well as express powers. The general rule is that where express power is given, implied power can be exercised so far as may be necessary to give effect to the expressed power.

Now, if it becomes necessary, in making suitable regulations to control the interstate traffic and the interstate carriers, to make rules which will govern that which is not, then it seems to me that Congress, in order to carry out the express power, can and ought to make rules to include the State business. To make a mathematical proposition, the greater includes the less.

It is simply a necessary conclusion in order to enable Congress to exercise this express grant of power. In politics I am a Democrat.

The CHAIRMAN. I will testify to that.

Mr. GOUDY. And I am in favor of the rights of the State where they exist, but we have this duplex form of Government, and when a subject is committed to the National Government like that of coining money, passing naturalization laws, and regulating commerce, etc., the power is plenary, and there is no right of the State to be asserted. It is only, however, where these express grants of power are in the Constitution, in my judgment, that the State has no power to act.

Senator HARRIS. While I think every one will concede the power of Congress to regulate interstate commerce—the power of Congress to regulate the interstate carrier as an instrument of interstate commerce,

even though he be an interstate carrier, when engaged entirely in local and State commerce—the fact brings up a difficult question in my mind. The carrier may be a State and an interstate carrier at the same time. In point of fact, as I take it, the New York Central is both.

Mr. GOUDY. It is one of those cases of conflict between the two forms of government, and under our Constitution the decisions on these subjects by the Supreme Court of the United States is the supreme law.

The object of this grant of power was to prevent the people of one State from gaining an advantage over the people of another State. There is now an attempt in every State to regulate commerce by law. We have commissions in every one of them, and Congress has provided a commission for the General Government. These are in collision, and the question is how can this conflict be avoided?

The subject on which the main conflict arises is as to rates; to some extent as to what are interstate matters.

Trade is easily influenced by delicate questions, and complicated with various circumstances. A disturbance of any kind affects others, and changes the result. The law of competition is such that the rates adopted by one carrier compels like rates by a rival. Rates fixed as to one distance necessarily affect those as to other distances. Congress has provided that a greater charge shall not be made for a shorter than a longer distance over the same line in the same direction under similar circumstances and conditions, and with the additional requirements that all rates shall be reasonable and without discrimination, has there left the subject. Some of the States have prescribed a schedule of rates; some demand that the same rate per ton per mile shall be charged; some have established other rules. When these are applied to the same carrier there is an inevitable conflict; when rates for traffic within the limits of a State are fixed, those for interstate business are seriously affected.

The compensation received by the carrier goes directly to its right to exist. State commissioners in the Western States are the agents of the shippers and faithfully represent the private interests of their principals, regardless of the right of the stock-holder to a fair interest on the capital after paying operating expenses and fixed charges.

If the control were lodged in Congress, and agencies provided by it, where the Constitution puts the power, it may be assumed that all interests would be more justly protected than by local authorities.

The CHAIRMAN. You think the taking control of the domestic business and State traffic is a necessity in order to properly regulate under the Constitution the interstate traffic that the road does?

Mr. GOUDY. Yes, sir; that is my view of it.

The CHAIRMAN. You are connected with the Northwestern Railroad?

Mr. GOUDY. I am the general counsel for that company.

The CHAIRMAN. Have you full knowledge of the particular question that we are authorized to inquire into, as to whether the American roads—your line, for instance—carrying freight from St. Paul or Minneapolis are at a disadvantage in competition with the railroads running through Canada?

Mr. GOUDY. I am not familiar with it; we have one of our lines running from Chicago to St. Paul. Running parallel with it north is the Burlington and Northern. That road has no local business and depends upon a through business. The Burlington and Northern comes in direct competition with the lines running from St. Paul, running into Canada at Sault St. Marie and connecting with the Canadian Pacific. The Bur-

lington and Northern in order to get business has to compete with these Canadian lines, which affects directly the other lines between St. Paul and Chicago and compels them to receive less compensation than they otherwise would. In other words, they are controlled by the Canadian lines. It is very much like it was when I was a boy, when I used to lay a line of bricks on the end and by pushing down the one at the extreme end of the line all the others went down. When one road adopts a policy as to rates its competitors must follow, and finally the rates are changed all over the country.

OBSERVANCE OF INTERSTATE LAW BY CANADIAN LINES.

The CHAIRMAN. Do you understand that the Canadian Pacific in the transaction of all business touching the United States observes the interstate commerce law?

Mr. GOUDY. I do not so understand it.

The CHAIRMAN. They insist that they do, and I do not know whether it is true or not.

Mr. GOUDY. I have never understood it that way. I understand it to be just the reverse; that they manipulate their rates so that they observe the law as to the United States end of the line, but do not observe it with respect to that portion of the line in Canada.

The CHAIRMAN. The officers of both the Grand Trunk and the Canadian Pacific testified before this committee that in the transportation of all freight going out of the United States into Canada and back in the United States, and all freight going out of the United States into Canada, and all freight coming from Canada into the United States, and all freight going out of the United States through Canada for exportation at Montreal or elsewhere in that country, they observe the interstate commerce law and publish their rates and adhere to them.

Mr. GOUDY. I can not say that that is untrue, but I can say it is not believed by other carriers.

Senator REAGAN. They are required to publish their rates in such cases, and if they charge more than their published rates they are liable to punishment.

Mr. GOUDY. I understand that while they charge the schedule rates that are published in the United States, yet when they go into Canada rebates are allowed by some device.

The CHAIRMAN. They insist that they do not. That charge may be said to have been one of the reasons for this investigation. We are directed to ascertain what the facts are and see if any additional legislation or any modification of the interstate commerce act is necessary.

GOVERNMENTAL PROPRIETORSHIP OF MEANS OF TRANSPORTATION.

Senator HISCOCK. Do you go to the extent of advocating that the General Government shall take the proprietorship of the means of conducting interstate commerce?

Mr. GOUDY. I do not know as I quite understand your question. I do not think, however, that the Government ought to take the proprietorship of the railways themselves, if that is the question. That is the socialistic idea, I believe.

Senator HISCOCK. It seems to me that there would be a little trouble in drawing the line, carrying it as far as you do.

CONGRESS TO CONTROL ALL COMMERCE.

Mr. GOUDY. You have a general law now and the only thing to do is to extend its terms so as to include all commerce.

Senator HISCOCK. But I understand your idea is this: Take, for instance, the New York Central Railroad; if it chooses to engage in interstate commerce, then the General Government has a right to regulate its entire commerce. Is that your point?

Mr. GOUDY. Yes, sir.

Senator HISCOCK. And if it chooses to throw off this interstate commerce and engage in purly State traffic, then not?

Mr. GOUDY. Yes, sir.

Senator HISCOCK. The other position follows as a matter of necessity on account of the sympathy between freights.

Mr. GOUDY. Yes, sir; and the inability to make any effective regulation under this provision of the Constitution without taking control of all. I do not know of any carrier in this country that does not do some interstate business, although there may be.

Senator HISCOCK. That may be all true, but I do not see the inability so strongly as you do. I concede that now and then a railroad commission may make a decision, as a court may, that is unreasonable, etc., but I do not see enough of that on which to predicate this necessity of which you speak.

Mr. GOUDY. It will not do to judge the balance of the country by New York and the New York Central. The New York Central could probably live off its domestic business, but it is the only road in the country that could. An examination into the business and financial condition of railroads west of Ohio and in the southwestern States will show a very bad state of affairs; many of them are insolvent, and none earning fair interest. Notwithstanding, the State legislatures and commissions created by them are further reducing the receipts and endeavoring to increase the burdens. This certainly creates the necessity for action by Congress.

Senator REAGAN. With reference to the Daniel Ball case, my remembrance is that the question of transportation was not the question in that case at all.

Mr. GOUDY. It was a question of license.

Senator REAGAN. That the vessel was required to take out a license because it was doing interstate business?

Mr. GOUDY. Yes, sir; that was the question.

Senator REAGAN. And it was held there, as it was held in many other cases, that a road or river—as in that case—which was wholly within a State and had traffic passing over that road to other roads or over that water to other waters in other States or foreign countries, was interstate commerce. There was nothing in the case about commerce beginning and ending in the State, but it was as to a river. The question was whether a river wholly within one State could be an interstate stream, and they held that if there was continuous transportation from State to State, or to a foreign country over that stream, it was interstate commerce.

Mr. GOUDY. They required a vessel to take out a license. It was a question whether, in engaging in interstate business, they were required to take out a license or not, and it was held that they must take out the license.

Senator HISCOCK. Your single point would be that for the sake of making just rates on interstate commerce, the Federal Government would have the power to regulate the rates on domestic commerce.

Mr. GOUDY. Yes, sir.

Senator HISCOCK. And that is the only ground for it.

Mr. GOUDY. Yes, sir; and to establish uniform, permanent, and just regulations in other respects.

Senator HISCOCK. You want Congress to say to the individual "We will tell you what you shall charge on your domestic traffic for the purpose of maintaining a just tariff as to interstate business." When you say that in reference to transportation, why can you not carry it a great deal further?

Mr. GOUDY. I think the principle which applies would have to be enforced whenever the public interest demanded it.

Senator HISCOCK. Do you carry your doctrine to the extent of saying, practically, in reference to interstate or foreign commerce, that the Government may fix the price?

Mr. GOUDY. Yes, sir; if any government can do it.

Senator HISCOCK. It seems to me that the logic of your argument is that, in reference to foreign commerce you would carry it to the extent of saying that the price might be fixed by the Government. I understand, rather inferentially, from what you have said that your idea in reference to interstate commerce—take the Iowa case you have cited—is that the State had not the power under the police regulations to prevent the sale of the liquor; do you go to that extent?

Mr. GOUDY. Yes, sir.

Senator HISCOCK. Now, when you go to that extent you practically give Congress the right to regulate the market. Does not this question come in there to some extent, that whenever ownership in the property is acquired by an individual in a State, that individual being the subject of that State, domiciled in that State, the police regulation takes hold of him, if you please, and says what he shall do. It simply says to him: "You have a right to bring liquor into this State; you have a right to keep it here; you can use it yourself, and even when it comes down to the question of disposing of it, to the question of what you do with it, we do not interfere with that; but we have the right to say you shall not commit a crime in connection with it." In Iowa the selling of liquor is a crime. The jurisdiction it takes is over the subject of the State.

Mr. GOUDY. You mean the person.

Senator HISCOCK. I mean the subject, the person. It is he the law regulates. It is upon him the license is imposed rather than upon the goods, which are the subject of interstate commerce. It seems to me there is a line there.

Mr. GOUDY. I think there is.

Senator HISCOCK. I think the same point I suggested a moment ago comes in on this question of interstate commerce and State commerce, that one has to go a little further than I, as a Republican and a Federalist, am willing to go.

Mr. GOUDY. I do not think our Southern friends have any right to complain of the Supreme Court of the United States. They have gone further to sustain State's rights, barring only the right to secede, than any other court ever did. They have sustained State's rights in every case where there was an opportunity, and it is a Republican court, too.

The CHAIRMAN. The whole point, as I understand you, is that where, in the judgment of Congress in the first place, it becomes necessary, in order to properly regulate interstate commerce under the Constitution, to also regulate State commerce, Congress has the power, in order to regulate interstate commerce, to regulate State commerce as well?

Mr. GOUDY. I think so; and I think the Supreme Court of the United States would not inquire into the conclusions of Congress as to the facts. They so held in regard to the oleomargarine act of Pennsylvania. They held that they would not inquire into the propriety of the act of the Legislature. The Legislature passed an act prohibiting the sale of all articles made from any ingredient except milk or cream, and it was claimed, in that case, that oleomargarine was healthy, etc., and proof was offered to show that; but the court held that the action of the Legislature and its judgment as to the remedy were conclusive.

The CHAIRMAN. The court would not go into the question of fact at all.

Mr. GOUDY. No, sir.

THE CONSTITUTIONAL PROVISIONS AS TO COMMERCE.

Senator HARRIS. Would your theory be changed if the language of the Constitution had stopped with the simple declaration that Congress shall have power to regulate commerce? It appears in the Constitution that—

> Congress shall have power to regulate commerce with the foreign nations, and among the several States, and with the Indian tribes.

Mr. GOUDY. Yes, sir. My position is that the construction would be the same if all after the word "commerce" were eliminated from it; provided that circumstances are such as to require the regulation of all commerce in order to regulate that specified in the Constitution.

Senator HISCOCK. On the line of Senator Harris's question, it is not eliminated from it, but the words are there, and the question is whether it is not an express limitation.

Mr. GOUDY. It is nothing else than a grant of an express power, and with that goes the implied authority to do whatever is necessary to give it full effect.

Senator HISCOCK. I do not put it on the ground of a grant. I want it distinctly understood that I believe in the legal-tender decision.

STATEMENT OF EDWARD T. JEFFERY.

Mr. EDWARD T. JEFFERY, general manager of the Illinois Central Railway Company, appeared.

The CHAIRMAN. What is your business, Mr. Jeffery?

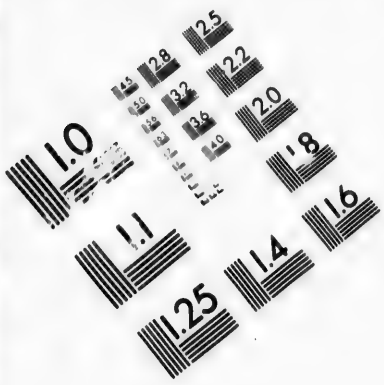
Mr. JEFFERY. I am general manager of the Illinois Central Railway Company.

The CHAIRMAN. Where do you live?

Mr. JEFFERY. In Chicago.

The CHAIRMAN. You have a copy of the resolution, and you have noticed through the newspapers that we have been pursuing an investigation under it. Will you be kind enough to go on and state your views and lay before us any facts that may be in your possession in reference to the subject-matter before us?

Mr. JEFFERY. In reference to the first branch of the subject, Mr. Chairman and gentlemen, "What is the effect of Canadian competition on American railroads and American commerce," it is proper for me to state that the road I represent is mainly a north and south railroad, extending from Chicago to New Orleans, and therefore is not one that feels directly the effect of that competition. In common with other



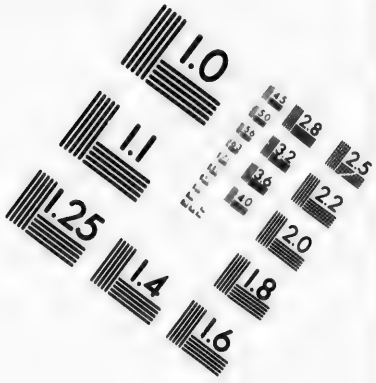
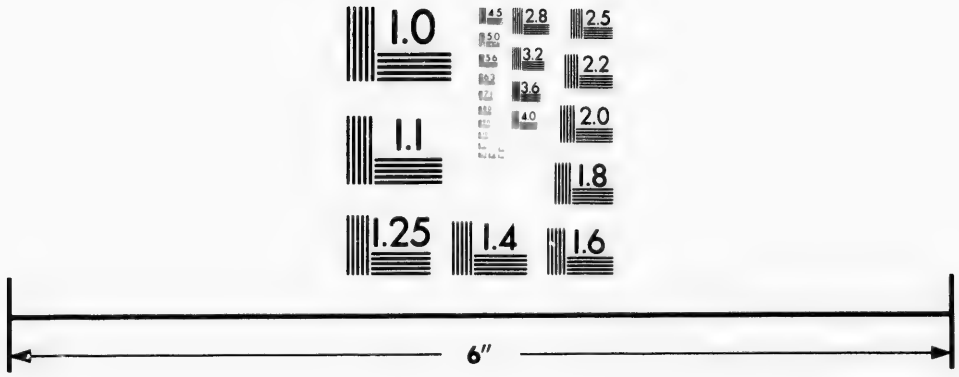
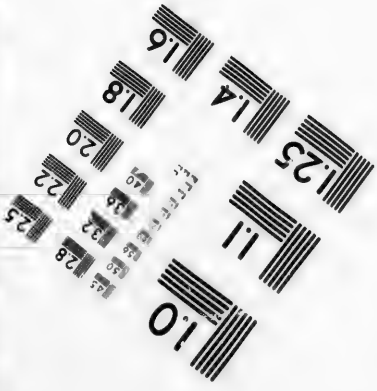
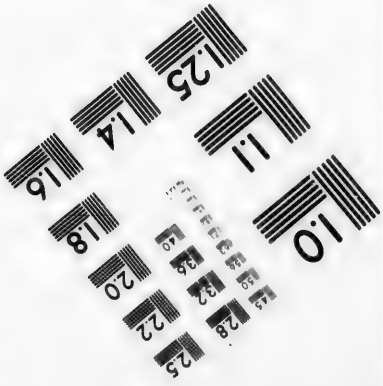


IMAGE EVALUATION TEST TARGET (MT-3)







Photographic Sciences Corporation

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4503

railroad managers who no doubt have expressed their views fully and clearly before you heretofore, and perhaps better than I can do, I believe that the same restrictions ought to be thrown around foreign railroads engaged in similar traffic in the United States as are thrown around United States carriers. It is a self-evident proposition and also one borne out by the facts and the evidence that you have had before you heretofore, that the Canadian lines can and do affect materially the traffic of the West and Northwest—particularly of the Northwest.

The United States railroads are held under the interstate commerce law to certain lines of action. The restrictions that are thrown upon the United States railroads are such that these railroads, as a general thing, do not complain seriously of them, provided their competitors, who apparently have been free from such restrictions, are held up to the law and are required to abide by it.

THE INTERSTATE COMMERCE LAW.

In my opinion if the interstate commerce law and the various opinions of the Interstate Commerce Commission under that law are proper things for the government of the United States railroads and United States traffic—if they are desirable things to have in this country—they are equally desirable and ought to be made applicable to the Canadian railroads. If, on the other hand, the Canadian railroads find it to their advantage and to the advantage of Canada not to have these legislative restrictions, it seems to me it would be equally clear as a proposition that such restrictions and such legislation are not good for the United States roads.

Now, personally, I will say right here that I am one of the railway managers who believe in the interstate commerce law and its enforcement. I believe in a strict compliance with it. I believe in the enforcement of the penalties that go with the violation of that law as it now stands.

With these views you readily see that I could not express myself differently from what I have done in reference to similar legislative restrictions on Canadian and other foreign roads that enter into competition with American railways. When I say American railways I mean, of course, the railways of the United States.

The very fact that the Canadian railways can and do affect traffic upon United States lines, and the very fact that they, as carriers, can and do affect the commerce of the United States, as well as the traffic, and the very fact that they can carry out of the United States for export through Canadian ports commerce that ought be held to the United States and passed through United States ports, is evidence to my mind that there ought to be the same restrictions upon foreign or Canadian roads as upon the United States railroads.

How that is to be brought about I am neither lawyer nor statesman enough to suggest; but it would appear to my mind, from what practical experience I have had in railroad matters, and from what I have had to do with business matters generally, that if it be shown that foreign railroads do not conform to the requirements of United States legislation in respect to carriers, then by treaty with Canada there can be obtained in Canada legislation for carriers and the government of them similar to that which obtains in the United States, affixing by Canadian laws the same penalties to violations of it as existing law in the United States imposes upon carriers, and imposing all the obligations through Canadian law upon Canadian carriers that are to-day or may be in

future imposed upon United States carriers by United States laws and through United States courts.

THE REGULATION OF COMMERCE.

With your permission I would like to say a few words in reference to a branch of the subject on which Judge Goudy dwelt at some length.

The CHAIRMAN. Certainly.

Mr. JEFFERY. I will not do so from the legal stand-point, because, as you must know, I am not a lawyer, but from the practical stand-point.

I have been conversant for some time past with the views entertained by Judge Goudy in reference to the desirability of having the General Government assume control as to rates, and in some other respects, of all traffic carried by rail.

The CHAIRMAN. You mean assume power of regulation?

Mr. JEFFERY. Yes, sir.

Senator HARRIS. You mean exercise the same power as to State commerce as it exercises over interstate commerce?

Mr. JEFFERY. Yes, sir. Being familiar with Judge Goudy's views I have naturally given some thought to the subject. The consideration of it, and the experience I have had in traffic matters, convince me that it is practically impossible for the Government to regulate interstate carriers, and interstate traffic, and decide upon the reasonableness and otherwise of interstate rates, and the propriety and otherwise of regulations as to interstate traffic, unless there be at the same time consideration given—great consideration given—to the so called domestic traffic of the States.

The system of railroad that I represent traverses nine States and one Territory. It has to deal with three or four railroad commissions. It has to deal with three or four codes of laws in reference to carriers. It finds sets of rules established in one State entirely different from the rules established by commissioners in the other States upon the same articles. It finds in some respects police powers undertaken by the one State through which it may run that are the opposite of those assumed by other States through which it runs.

The net-work of railroads in this country is so interwoven, so comprehensive, that it is to-day almost impossible to materially change the rates on any 100 miles of railway without affecting the rates on all other railways within a large scope of adjacent territory. It is impossible to-day on certain commodities to change the rates between Chicago, St. Paul, and Minneapolis without affecting the rates between Chicago and Sioux City, Iowa; between Chicago and Omaha; between Chicago and Kansas City; between Kansas City and St. Louis, and between Kansas City and Memphis, and then through the southeastern States, and probably into the lower Mississippi Valley as far as the Gulf.

To illustrate this let me mention that a rate may be made on packing-house products from St. Paul, Minn., to Chicago, which might be affirmed a reasonable rate, as it might be a lower rate than formerly and would be called a reasonable rate by the Interstate Commerce Commission, or the courts. That rate, if made, will at once affect the standing of the makers of products in Sioux City packing-houses. The carriers between Sioux City and Chicago would be compelled to reduce rates in order to meet the competition from the St. Paul packing-houses to Chicago and through Chicago beyond to the seaboard. A reduction made at Sioux City will at once affect Omaha and a corresponding reduction

will then have to be made to Chicago and thence to St. Louis. At once the Kansas City packers are affected. A similar reduction must be made from Kansas City to Chicago and to St. Louis. Then Memphis, being a gateway not only to the southeastern States, but also to the Atlantic seaboard, must have a similar reduction to and through that place, and hence the effect of a rate made, as I have already stated, in the Northwest would be felt down in the lower Mississippi Valley and through to the eastern Atlantic seaboard.

Again, to reverse the train of reasoning, a change in rates may be made from Kansas City to Memphis on packing-house products. At once lines from Kansas City to St. Louis and Kansas City to Chicago are placed at a disadvantage, and so are the packing-house proprietors of Chicago as against Kansas City. Therefore the same course must be pursued as to reducing correspondingly, or else give Kansas City, of course, an advantage over all others, and the same course must be pursued of reducing rates from Kansas City to St. Louis, Kansas City to Chicago, Omaha to Chicago, Sioux City to Chicago, and St. Paul to Chicago. And then, in order that Chicago packers may hold their supremacy—I will not say supremacy, but that they may stand on an equal basis—rates must be made correspondingly to all points from Chicago packing-houses with those from the other points I have enumerated.

You will therefore see that it is within the province of a railroad 350 or 400 miles long to disturb the rates on that one commodity throughout the entire United States. It could be narrowed down and demonstrated that a railroad 100 miles long, located exclusively within the borders of a State, or a State railroad, so called, could affect materially the rates on interstate traffic throughout a wide scope of country.

It therefore strikes me as a practical proposition to say that a railroad engaged nearly wholly in the carriage of State traffic, domestic traffic, if you please to call it, of the State, can so affect rates and rules and regulations of interstate carriers as to bring about the results I have outlined. It can, of course, and does affect the operations of the interstate commerce law and the Commissioners appointed under that law. If this State railroad can and does have this effect, then it must be taken into consideration as a factor in commercial or traffic legislation, and it would be impossible, in my opinion, to obtain stability in rates and to properly carry out the intentions of the interstate law and to confer the benefits the interstate law was intended to confer unless the traffic and the carrier could be brought within its scope.

As to the Federal powers I have nothing to say; you are thoroughly conversant with that part of the subject. But as a practical railroad man I desire to emphasize the points I have drawn out.

COMPETITION OF THE CANADIAN PACIFIC.

The CHAIRMAN. Does your road have any business connections with the Grand Trunk Railroad of Canada?

Mr. JEFFERY. No, sir; only with the Chicago and Grand Trunk.

The CHAIRMAN. Which leads to the Grand Trunk of Canada?

Mr. JEFFERY. Yes, sir.

The CHAIRMAN. Do you do a very large amount of business with the Chicago and Grand Trunk, sufficient to determine in your own mind whether they are really obeying the interstate commerce law?

Mr. JEFFERY. I have no knowledge or experience on that subject.

The CHAIRMAN. What effect has the Canadian Pacific, in conjunction

with the "Soo line," which has been spoken of here by Mr. Goudy, on the American roads?

Mr. JEFFERY. It affects principally the roads to St. Paul and Minneapolis and in the territory west, northwest, and southwest of those points, and in affecting them it affects the roads and traffic through Chicago and other commercial centers.

The CHAIRMAN. You have a line now to St. Paul, I believe?

Mr. JEFFERY. Our line is within 110 miles of St. Paul.

The CHAIRMAN. You are on the road to St. Paul?

Mr. JEFFERY. Yes, sir; we are pointing in that direction, but it may be some years before we arrive at our destination.

The CHAIRMAN. Where does your road stop now?

Mr. JEFFERY. At the Minnesota State line, about 100 miles west of the Mississippi River, and 110 miles west of St. Paul.

The CHAIRMAN. You do not mean at Sioux City?

Mr. JEFFERY. No, sir; we stop at a station called Lyle.

The CHAIRMAN. How far is that from Sioux City?

Mr. JEFFERY. About 90 miles north on an east and west line passing through Sioux City, and 225 miles east on a north and south line passing through Sioux City.

The CHAIRMAN. Do you find that your traffic from that end of the line is in any way affected by the opening of the "Soo line," connecting with the Canadian Pacific?

Mr. JEFFERY. Yes, sir. Lower rates through to St. Paul from the Atlantic sea-board enable St. Paul and Minneapolis merchants to ship down into Iowa, in the territory heretofore occupied by the shippers of Sioux City, and it interferes with the commerce of Sioux City and all other commercial centers in northern Iowa.

The CHAIRMAN. So that the "Soo line," in conjunction with the Canadian Pacific, is now getting goods all the way from Boston, for instance, to St. Paul, and down the road from St. Paul to Sioux City at cheaper rates than you can send them direct from Chicago by your own line?

Mr. JEFFERY. Yes, sir; and there is no way by which we can prevent it upon our 500 miles of railroad, except by reducing the rates probably from 20 to 33½ per cent. below what they now are.

The CHAIRMAN. They can haul freight so much farther—it is 400 miles to St. Paul, I believe?

Mr. JEFFERY. Yes, sir.

The CHAIRMAN. And then, 150 or 200 miles from St. Paul to Sioux City——

Mr. JEFFERY. About 330 miles.

The CHAIRMAN. Three hundred and thirty miles—they can haul freight that much farther at a less rate than you can haul it the shorter distance?

Mr. JEFFERY. Yes, sir.

The CHAIRMAN. Do they go through Chicago to get to St. Paul?

Mr. JEFFERY. I think they come into St. Paul and Minneapolis from the East over the "Soo line," so called, or the South Shore and Atlantic, or by vessel to Duluth, and then by the short-rail line to St. Paul or Minneapolis.

The CHAIRMAN. Is it the Canadian roads or is it the water which enables the Canadian Pacific to supply Sioux City in this round-about way instead of your road, which has a straight line?

Mr. JEFFERY. Both.

The CHAIRMAN. Why should the Canadian roads be able to transport

goods from Boston to St. Paul cheaper than you can transport them from Boston through by Chicago and on a straight line west?

Mr. JEFFERY. I could not say as to that. I suppose probably these new roads have done as a great many new roads do, herald their opening and advertise themselves by excessively low rates, for the purpose of obtaining prestige and building up traffic. Our line has been in operation for thirty or forty years, and we are conservative, and we find it difficult to get through a year's labors and make fair profits for the owners.

The CHAIRMAN. So you think you are carrying freight from Chicago to Sioux City as cheaply as you ought to?

Mr. JEFFERY. To illustrate, I would say that our railroad of 600 miles in Iowa, which has no fictitious capital about it at all, earned, over and above its interest charges last year, about $39,000.

Senator HARRIS. You mean over and above fixed charges and operating expenses?

Mr. JEFFERY. Yes, sir; over and above its fixed charges, its interest, etc., about $39,000.

The CHAIRMAN. That much was left with which to pay dividends?

Mr. JEFFERY. Yes, sir.

The CHAIRMAN. How much per cent. was paid in dividends?

Mr. JEFFERY. One half of 1 per cent., and if we should meet the reductions which are now apparent to every one as being necessary in order to hold the business which is being diverted by the northern routes it would wipe out that amount of money and three or four times as much more. That 600 miles of road in Iowa would be compelled to default in its interest charges unless money was taken out of the Illinois Central treasury to make up the deficiency.

The CHAIRMAN. If the "Soo" road were not in existence, would it not be true that the water transportation would still produce pretty nearly, if not exactly, the same result?

Mr. JEFFERY. It could, but it is quite probable that arrangements or an understanding could be had with the water carriers which would prevent their introducing such rates as would make it unremunerative to the rail carriers to compete with them.

The CHAIRMAN. You think you could make arrangements with the water carriers more easily than you can with the rail carriers?

Mr. JEFFERY. No; I do not wish to be understood as saying that, but it would seem to me that if the element of foreign rail carriage were eliminated, with the large interests in the Lake Superior lines which the United States rail carriers have, there could be an understanding reached with those water carriers on Lake Superior.

The CHAIRMAN. You say if these foreign lines were eliminated. You do not mean to say by that that you would cut them off entirely from doing business in this country?

Mr. JEFFERY. I meant if they were not in existence; if they had not been constructed.

The CHAIRMAN. They are in existence, however, and the question this committee is here to investigate and inquire into is whether anything is necessary to be done to place them upon the same footing and under the same regulations as you are under.

Mr. JEFFERY. I would refer you to the remarks I made upon first appearing before this committee, which were to the effect that all foreign rail carriers should be held to as strict a conformity with the interstate-commerce law and all other Federal legislation as are the United States carriers, and if it be necessary in order to bring that about to have a

treaty with the Canadian Government to that effect it ought to be undertaken and negotiated.

The CHAIRMAN. Or, if it can be done by legislation, you would be satisfied with that?

Mr. JEFFERY. Oh, yes; but I should think it would be a broader view to take of it to negotiate by treaty with Canada for legislation on its part as to its rail carriers who are in competition with United States rail carriers, so that the Canadian railroads would be held to the same restrictions in Canada as are the lines in the United States—the same penalties attached to violations of the law in one case as the other.

The CHAIRMAN. All you desire is that by some means they shall be placed under the same regulations as are the United States roads?

Mr. JEFFERY. Yes, sir.

The CHAIRMAN. And if that were done you would be satisfied to take your chances in competition with the Canadian roads?

Mr. JEFFERY. Yes, sir. I do not think it would be wise or just to arbitrarily shut off the Canadian railroads unless they ignored the United States law when in competition with the United States road.

RATES UNDER THE INTERSTATE-COMMERCE LAW.

Senator HARRIS. I want to ask you one question a little off of the direct question under investigation. As a railroad man I want to ask you if through rates have increased or diminished since the interstate commerce act went into operation?

Mr. JEFFERY. I think they have diminished, Senator.

Senator HARRIS. And how has it been with respect to local rates; have they increased or diminished?

Mr. JEFFERY. Generally, they have diminished.

Senator HARRIS. Have local rates diminished more than through rates?

Mr. JEFFERY. In some sections of the country they have been diminished materially more than through rates. Let me illustrate: When the interstate-commerce law became effective the rates at various junction points in the interior of Illinois, on grain, to the Atlantic seaboard were higher than they are now. The rates from those same junction points to Chicago, which would be considered local rates, being purely in the State, were higher than they are now. I believe that within a circuit of 150 miles of Chicago the rates on grain from these junction points referred to have been reduced between 30 and 40 per cent. in two years.

The CHAIRMAN. From those junction points to the Eastern sea-board?

Mr. JEFFERY. Yes, sir; both for home consumption and for export.

Senator HARRIS. That is all.

Mr. JEFFERY. I might add in replying to the question of Senator Harris that the effect of the law has been very burdensome upon the Illinois roads in the loss of revenue which it has entailed upon them within the last two years.

The CHAIRMAN. The roads have carried the burden, though, and survived.

Mr. JEFFERY. Some have and some have found it very difficult to breathe; it is the survival of the fittest.

The CHAIRMAN. You have survived so far.

At 3 o'clock and 40 minutes p. m. the committee adjourned until Monday, July 15, 1889, at 10 o'clock a. m.

CHICAGO, ILL., *July* 15, 1889.

The committee met at 10 o'clock a. m., pursuant to adjournment.

STATEMENT OF G. F. STONE.

Mr. G. F. STONE, representing the committee of the Chicago Board of Trade, appeared.

The CHAIRMAN. What is your relation to the Board of Trade of this city?

Mr. STONE. I am secretary.

The CHAIRMAN. You represent the views of the committee appointed by the Board of Trade, do you?

VIEWS OF THE CHICAGO BOARD OF TRADE COMMITTEE.

Mr. STONE. Yes, sir, I do. I am also a member of the special committee of the Chicago Board of Trade. We make the following answers to your circular:

CHICAGO, *July* 15, 1889.

Hon. SHELBY M. CULLOM,

Chairman Interstate Commerce Committee, U. S. Senate:

SIR: Complying with the request made in your communication of the 10th inst., the Chicago Board of Trade appointed the undersigned as a committee to meet your honorable body, and to make answer to the question submitted under the resolution of inquiry adopted by the U. S. Senate, directed to the Committee on Interstate Commerce.

In addition to the condensed replies hereto attached, the members present will endeavor to answer any question which it may please your body to propound to them; and, if desired, will orally submit in detail their views upon the general subject of the relations existing between the United States and Canada, in so far as they affect the commercial and transportation interests of this country.

First interrogatory. Do the Canadian lines of transportation operating in the United States affect the commercial interests of this country favorably or unfavorably?

Answer. Favorably.

Second interrogatory. In what manner do they affect such interests, and to what extent?

Answer. First—By their effect in smashing iniquitous and scandalous pools and agreements at times existing between the Michigan Central, Michigan Southern, and Pennsylvania Railways, by which unjust and unreasonable rates were exacted on Western products from Chicago to the sea-board previous to the entrance of the so-called Canadian lines into this city. For facts and figures on this point, see special report of Chicago Board of Trade of February, 1876, herewith appended.

Second—By the equalization of freights on all Western products to numerous points in New England, where previously American railway lines charged and exacted severe and unjust arbitraries, averaging from 5 to 25 cents per cental over rates to Boston and other sea-board points, which, under the competition of Canadian lines, have been entirely discontinued.

Third—The Grand Trunk system of railway was the pioneer in the dressed-beef traffic, which it commenced and fostered years ago, while the New York Central and Pennsylvania systems antagonized the shipment of dressed beef and favored the shipment of live cattle, that their

transportation and stock-yard revenues might be augmented, to the detriment of the cattle-producing and beef-consuming public.

Third interrogatory. Is traffic originating in the United States, and which would naturally be carried over American lines, diverted from them to Canadian lines; and, if so, to what extent and by what means?

Answer. Traffic originating in the United States and which would naturally be carried over American lines has not, in the opinion of this committee, been diverted to Canadian lines, only in so far as the latter have offered greater facilities for the safe and quick carriage of perishable and other property to eastern points and for export. The Canadian lines were among the first to build and operate transfer elevators here for the preservation of identity and the weighing of grain in hopper scales, as required by the law of this State (a copy of which is hereto annexed), and which law is now openly defied by some of the American lines centering here. The Canadian lines have won the larger share of this business from the West by such and kindred measures, and by uniformly just and equitable treatment of their patrons, and not by any favoritism to one shipper over another, as evinced by the popular regard that is had for these lines so universally by the merchants of this and other Western cities.

Fourth interrogatory. Do you consider any additional legislation expedient or desirable for the regulation of the commerce carried on by railroad or water routes between the United States and Canada? If so, what measure would you suggest?

Answer. We do not consider any additional legislation necessary. No further restrictions upon commerce between the United States and Canada by the water routes should be tolerated, but this committee would recommend the enforcement of the interstate-commerce act, and such laws as pertain to the bonded regulation of the United States products, passing over the great commercial highways of Canada, as will allow such products to pass untrammeled in the future as in the past.

The adoption of any legislative measures calculated to restrict the transportation facilities now enjoyed by the farmers, cotton growers, and cattle raisers of the West and Southwest, would, in the opinion of this committee, bury in impenetrable oblivion the political party that accomplished it. The West would act as one man, and be aided and abetted by the independent voter of New England in the furtherance of such desirable obsequies.

Fifth interrogatory. Is any legislation necessary with respect to the operations of the Canadian lines of transportation in order to promote the enforcement of the interstate commerce act? If so, what would you suggest?

Answer. We do not consider any additional legislation necessary for the regulation of commerce carried on by rail between the United States and Canada; but would suggest that all connecting lines of Canadian railways within the United States, as well as all United States railways, be held to a strict compliance with the provisions of the interstate commerce law; and this committee would further suggest that additional legislation is needed which will make it unlawful for railway corporations to combine for the formation of railway associations like the Trunk Line, Central Traffic, Southwestern, and Interstate Commerce Railway Associations, or railway trusts of any form or nature, believing, as we do, that such associations tend to destroy competition, and to oppose or evade the enforcement of the interstate commerce law, and are detrimental to the commercial interests of this country.

Statistical information bearing upon the subject-matter of this report is herewith submitted.

SUPPLEMENTAL STATISTICAL REPORT.

We have the honor to present the following statistical statements with reference to and in support of the condensed answers already submitted in the formal report of the Chicago Board of Trade.

As to the second interrogatory, and in support of the second answer of said interrogatory, we wish to call the attention of your honorable committee to the rate charged by railroads running wholly through the United States, on grain and flour, from Chicago to Springfield and Boston, Mass., and Nashua, N. H., in the winter of 1867–8, which was 85 cents per cental; the arbitraries charged from these junction points named to points in Maine, New Hampshire, and Vermont ranged from 10 to 25 cents per cental. The last-named rate applied from Nashua, N. H., to Newport, Vt., making the through rate from Chicago to Newport, Vt., $1.10 per cental.

The present tariff—Chicago to Newport, Vt.—on like commodities, via the Canadian railways, is 25 cents per cental, and while we do not claim that all this reduction has been caused by Canadian railways, we do claim that Canadian railways have eradicated all arbitraries and given practically to all the territory north of the Boston and Albany Railway in New England, rates equal with Boston to and from the West.

In support of the third answer of the said second interrogatory, we wish to call your attention to one of the largest industries of Chicago, viz, the dressed-beef trade, and show the tonnage east-bound as carried by the Central Traffic associated roads, as tabulated by them for the period as below stated.

For the year 1887, total tonnage dressed beef, 354,802 tons, carried as follows:

	Per cent.
By C. & G. T. R'y	47.1
By M. C. R. R	8.2
By L. S. & M. S. R'y	17.8
By P., F. W. & C. R'y	8.7
By C., St. L. & P. R. R	9.0
By B. & O. R. R	3.3
By N. Y. C. & St. L. R'y	5.9

For the year 1888, total dressed beef tonnage, 351,441 tons, carried as follows:

	Per cent.
C. & G. T. R'y	28.4
M. C. R. R	17.1
L. S. & M. S. R. R	17.0
P., F. W. & C. R'y	10.6
C., St. L. & P. R'y	13.3
B. & O. R. R	2.3
N. Y. C. & St. L. R'y	11.3

For six months ending June 30, 1889, total tonnage dressed beef, 172,966 tons, carried as follows:

	Per cent.
C. & G. T. R'y	40.0
M. C. R. R	19.2
L. S. & M. S. R'y	13.9
P., F. W. & C. R'y	7.6
C., St. L. & P. R'y	13.2
B. & O. R'y	5.0
N. Y. C. & St. L. R'y	1.0

In explanation, the reason for the large falling off in the Chicago and Grand Trunk Railway percentage carried, from 47.1 in 1887, to 28.4 per cent. in 1888, which was caused by a war of rates made by the New York Central and Pennsylvania systems, to deprive the Grand Trunk system of railway of a business which it had fostered and protected from its infancy.

In support of the answer to the third interrogatory, the tabulated statements of the Central Traffic associated roads from Chicago in the distribution of the tonnage carried for the year 1888, show that the total tonnage carried by them from Chicago to New England was 491,093 tons of dead freight (dressed beef not included), carried as follows:

	Per cent.
C. & G. T. R'y	40.06
M. C. R. R	20.52
L. S. & M. S. R'y	19.84
N. Y. C. & St. L. R'y	6.26
C., St. L. & P. R'y	4.07
P., F. W. & C. R'y	8.51
B. & O. R'y	.74
Total	100.00

Carried by connections of Canadian roads:

C. & G. T. R'y	40.06
M. C. R. R	20.52
Total	60.58

Carried by connections of American Trunk lines, 39.42. per cent.

From November 1, 1888, to April 1, 1889, the New England dead freight tonnage (dressed beef not included) of these same roads was 291,662 tons, carried as follows:

	Per cent.
C. & G. T. R'y	46.95
M. C. R. R	20.02
L. S. & M. S. R'y	15.99
N. Y. C. & St. L. R'y	5.43
C., St. L. & P. R. R	3.31
P., F. W. & C. R'y	8.15
B. & O. R. R	0.15
Total	100.00

Carried by connections of Canadian railways:

C. & G. T. R'y	46.95
M. C. R. R	20.02
Total	66.97

Carried by connections of American Trunk lines, 33.03 per cent.

Again, in support of the second clause of the answer to the fourth interrogatory, we wish to call your attention to the total shipments by water from the port of Chicago, of corn and oats, for the years 1887 and 1888, and the six months ending June 30, 1889, and at the same time to show what percentage of such shipments was carried on American vessels to Canadian ports, on Georgian Bay and the St. Clair River, and thence forwarded under the United States customs "in transit bonded system" over Canadian territory and back into the States.

Total water shipments from Chicago for 1887: Corn, 38,710,856 bushels; oats, 10,215,112 bushels.

Shipped through Canadian ports in transit: Corn, 4,088,011 bushels, or 10.56 per cent.; oats, 3,230,961 bushels, or 31.63 per cent.

For 1888, total water shipments: Corn, 47,759,708 bushels; oats, 13,764,336 bushels.
Shipped through Canadian ports in transit: Corn, 3,845,931 bushels, or 8.05 per cent.; oats, 2,652,721 bushels, or 19.28 per cent.
For six months ending June 30, 1889, total water shipments: Corn, 23,385,580 bushels; oats, 9,798,599 bushels.
Shipped through Canadian ports in transit: Corn, 2,307,786 bushels, or 9.87 per cent.; oats, 2,693,151 bushels, or 27.49 per cent.

We have not for the years 1887 and 1888 any statistics to show the number of American vessels employed to transport the amount carried in transit to Canadian ports, but for the six months ending June 30, 1889, the in transit grain carried to Canadian ports was transported on 181 American vessels. You will readily see that from the amount carried they are of the smaller class of lake vessels, and while they are well adapted to the Georgian Bay trade, they can not successfully compete with the larger lake craft in the Lake Erie trade, and we wish to impress upon the minds of your honorable committee that any legislation by Congress which abrogates the present "in transit bonded system" will most effectually tie up to the dock, to lie there and rot, every American vessel engaged in this Georgian Bay trade, and turn over the tonnage they now enjoy to the steam-ship lines running in connection with and practically owned by the New York Central, Erie, and Pennsylvania Railways.

A. M. WRIGHT,
GEO. CLARK,
E. J. MARTYN,
H. J. COON,
J. C. HATELY,
G. M. HOW,
W. J. POPE,
E. O. SEYMOUR,
N. T. WRIGHT,
H. F. DOUSMAN,
G. F. STONE,
W. T. BAKER.

THE ILLINOIS LAW IN RELATION TO HOPPER SCALES.

The law of the State of Illinois relating to hopper scales, referred to in the report of the Board of Trade, is as follows:

SECTION 1. *Be it enacted by the people of the State of Illinois, represented in the general assembly*, That in all counties of the third class, and in all cities having not less than 50,000 inhabitants, where bulk grain, millstuffs, or seeds are delivered by any railroad transporting the same from initial points to another road for transportation to other points, such road or roads receiving the same for transportation to said points or other connections leading thereto, shall provide suitable appliances for unloading, weighing, and transferring such property from one car to another without mixing or in any way changing the identity of the property so transferred, and such property shall be accurately weighed in suitably covered hopper scales, which will determine the actual net weight of the entire contents of any car-load of grain, millstuffs, or seeds at a single draft, without gross or tare, and which weights shall always be given in the receipts or bills of lading and used as the basis of any freight contracts affecting such shipments between such railroad companies and the owners, agents or shipper of such grain, millstuffs, or seeds so transported and transferred.

SEC. 2. The practice of loading grain, millstuffs, or seeds into foreign or connecting line cars at the initial point from which the grain, millstuffs, or seeds are originally shipped, or the running of the original car through without transfer, shall not relieve the railroad making contract to transport the same to its destination or connections leading thereto from weighing and transferring such property in the manner aforesaid, unless the shipper, owner, or agent of such grain, millstuffs, or seeds shall otherwise order or direct.

SEC. 3. Any railroad company neglecting or refusing to comply promptly with any and all of the requirements of either sections 1 or 2 of this act shall be liable in damages to the party interested, to be recovered by the party damaged in an action of assumpsit, and such party may proceed by mandamus against any railroad company so refusing or neglecting to comply with the requirements of this act; and if the shipper, owner, or agent of any such grain, millstuffs, or seeds shall fail or neglect to proceed by mandamus, it shall then be the duty of the railroad and warehouse commissioners of this State, upon complaint of the party or parties interested, to proceed

against the railroad failing or refusing to comply with the provisions of this act; and all the powers heretofore conferred by law upon the board of railroad and warehouse commissioners of this State shall be applicable in the conduct of any legal proceeding commenced by such commissioners under this act.

SEC. 4. Any railroad company so refusing or neglecting as aforesaid, shall be liable to a penalty of not less than $100 nor more than $500 for each neglect or refusal as aforesaid, to be recovered in an action of assumpsit in the name of the people of the State of Illinois for the use of the county in which such act or acts of neglect or refusal shall occur, and it shall be the duty of the railroad and warehouse commissioners to cause prosecutions for such penalties to be instituted and prosecuted.

The CHAIRMAN. The purport of the paper read, as I gather it, is an expression of satisfaction with the present condition of affairs, and an argument to show the reason why matters should remain as they are?

Mr. STONE. Yes, Sir.

The CHAIRMAN. Do you wish to submit any statements in relation to the subject under investigation?

Mr. STONE. I submit a report of the Chicago Board of Trade under date of February 7, 1876.

RAILROAD DISCRIMINATIONS AGAINST CHICAGO.

The report is as follows:

To the President and Directors of the Board of Trade of Chicago:

GENTLEMEN: The undersigned, a committee appointed in response to a petition signed by the members of Chicago Board of Trade, and intrusted with investigating the alleged railroad discriminations against Chicago as a shipping point, have the honor to submit herewith a report of their work:

Your committee have held almost daily meetings during the past month, and at fourteen of these sessions have had before them gentlemen representing various shipping and railroad interests, and have taken a mass of testimony covering several hundred pages. This has been accomplished, it should be said, in the face of a general apathy among the shippers on account of their failure to realize the critical character of the situation, and in spite of the disinclination of many of the railroad men to afford an insight into their business. It would be folly to encumber yourselves, the Board of Trade, or the public, with a transcription of this testimony and copies of the letters in our possession bearing upon the subject. We have determined, therefore, to present to you an epitome of the information we have collected, merely premising that all of the statements made in this report are fully sustained by the testimony of competent and trustworthy witnesses, and by documentary evidence that can be produced if desired.

It is as well to say, at the very outset, that our investigation has confirmed the most serious rumors that have prevailed regarding the deliberate and systematic discrimination against the shipping interests of Chicago. We have found actual cases of discrimination which exceed in injustice the reports which we were at first inclined to regard as exaggerated. In presenting but a meager idea of the injustice which the Eastern trunk lines have combined to do Chicago, we desire to impress upon every man whose commercial interests are in any way identical with the prosperity and progress of this city that this combination is the most serious blow ever aimed at the business of Chicago, and it must be met with a prompt and determined resistance on all sides unless we would succumb to it. It is probable that the annual report of the secretary of the Board of Trade will indicate a large increase in the volume of the mercantile transactions, a continued growth of the manufacturing interests, an enlargement of the lumber trade, and an improvement in the amount of business generally. It also shows that the grain trade of the last year was something more than 15,000,000 bushels less than that of the preceding year. If this were the rule throughout the country it might be attributed to the partial failure of the corn crop of 1874 in the sections tributary to Chicago, and to the hard times. But, turning elsewhere, we find that Baltimore, Philadelphia, Cincinnati, Toledo, Cleveland, Indianapolis, Milwaukee, Peoria, and other cities, have either increased the volume of their grain business, or, at least, maintained it by comparison with former years. This circumstance is unavoidably significant of the fact that Chicago is losing its advantages as a distributing center, and the loss can be readily traced, in large part, to the discriminating policy of the eastward-bound railroads.

Your committee also desire, before entering into the details of this discriminating policy, to impress upon the general mercantile public that all interests will suffer, each in its own way, a full share of the misfortunes from the injustice herein com-

plained of, and that they should be equally concerned with those branches of trade more particularly represented on this board in entering a protest and providing a remedy. The effect on the lumber interest is too obvious to require comment, but the merchants generally may close their eyes to the fact that the loss of every car-load of grain to this city is at the same time a loss of a proportionate sale and shipment of merchandise. As in earlier times and in rural districts the farmer took his supplies from the town where he hauled his wagon-load of grain, and purchased where he had sold; so also when the traffic is carried on by steam on a larger scale. The same disposition that prompts certain railroads to make more favorable rates for the shipment of grain to the sea-board from other competing points than from Chicago will prompt them to fix more favorable rates in return. Freights westward will always follow the discrimination of the eastward freights, with the additional advantage for the favored cities that the railroads will rather draw back their cars laden than empty. If the products of the Northwest must find a market other than Chicago, then it is certain that the cities to which this trade is diverted will also sell the supplies, the dry goods, the agricultural implements, the groceries, the dressed lumber, and the manufactured articles of all kinds which the farmers want in exchange for their grain. The merchants of the favored cities will not be slow to recognize their advantages and build upon them. They will sell where the Chicago merchants have been in the habit of selling, and they will be able, with the help of the railroads, to make better prices at the point of delivery without any sacrifice on their own part. Both interest and convenience dictate this reciprocity in trade, and it is on this account that the entire mercantile community should join with the grain, produce, and live-stock interests in demanding a correction of the abuses which we have considered.

Having thus endeavored to arouse the attention of all the business classes of Chicago to the importance of the matter in hand, we will proceed as briefly as possible to set forth the character of the discrimination practiced against Chicago.

We have found three distinct classes of railroads in their bearing to this question, and they may be described as follows:

(1) The "pool" railroads, or those which have fixed an arbitrary and unvarying rate from Chicago eastward. Those which have entered into an agreement to "pool" their earnings on this basis are the Michigan Central, the Michigan Southern, and the Pittsburgh and Fort Wayne roads. But the Baltimore and Ohio, though not pooling, have agreed to abide by the same policy. The three former are aided and abetted, when not entirely controlled, by their eastern connections, viz: the New York Central, the Pennsylvania Central, and the Erie Railroads.

(2) The "bankrupt" roads, so called because they are all either in the hands of receivers, in default of interest, or on the verge of bankruptcy. These are the comparatively short roads running east and west, and north and south, tapping the State in various parts and the Illinois railroads at different points. We include such roads as the Toledo, Wabash and Western; Toledo, Peoria and Warsaw; Indianapolis, Bloomington and Western; Rockford, Rock Island and St. Louis; Gilman and Springfield, etc.

(3) The roads that may be called "independent," to distinguish them from the others, which are not permitted to pro-rate with their eastern connections at Chicago on terms that enable them to compete with the "bankrupt" roads. These are the Illinois Central, Chicago and Alton, Chicago and Rock Island, the Burlington and Quincy, and the Chicago and North-Western. The interest of these roads is originally identical with that of Chicago as their principal terminus.

Now, the burden of Chicago's complaint is that the "pool" roads, under the management of certain eastern railroad kings, have formed a combination against Chicago, and leave what we have called the "independent" roads powerless to compete for business reached by the "bankrupt" lines. This is a grave charge; but it seems to be fully sustained by the facts. The evidence of it is to be found in the persistent discrimination recounted further on. The reason for it, we think, lies in the fact that the Baltimore and Ohio and the Pennsylvania Companies conceive it to be in their interest to divert the carrying trade to the south of Chicago, and hope and believe that once directed in that channel, they will secure a larger proportion of the business than heretofore. A careful survey of the map, with their various railroad connections, will reveal this project. That the New York Central has loaned itself to the scheme by consenting to the arbitrary and fixed rate from Chicago which renders it possible can only be accounted for either because it entered into the agreement with a single view to increase rates from Chicago, and without estimating the ultimate purpose of diverting the trade, or because it is content with the assurance of all the New England business, whether it comes from Chicago or points to the south and west of Chicago. In any case the effect is the same.

The operation of the policy of discrimination is as follows: The rate is fixed from Chicago to New York at 45 cents per 100 pounds on grain, and to New England points at 50 cents, and from this there is no variation whatever. But we find that freight c

be shipped from nearly all points north and south of Chicago on an equal mileage for from 5 to 10 cents per 100 pounds less than from this city. We find that the same rate from Chicago is fixed for Milwaukee, 85 miles farther, which makes the rate of freight only 41 cents from Chicago on Milwaukee business. We find that the rate from Indianapolis, which is about as much less than the distance from Chicago as Milwaukee is more, is from 5 to 7 cents less than the Chicago rate. We find that freight is taken from points south, southwest, north, and northwest of Chicago, and carried a long distance around Chicago to reach the sea-board, at a lower rate than it can be brought through Chicago on almost an air-line. We find that these discriminations are worked out against Chicago principally in two ways, viz:

(1) By an insidious system of rebate, whereby a difference of from 5 to 10 cents per 100 pounds is refunded to shippers from points south and southeast of Chicago, while no rebate or concession whatever is allowed to Chicago shippers.

(2) There is a deceptive and vicious habit of "underbilling" tolerated and even encouraged by certain railroads from points other than Chicago which is neither permitted nor desired in Chicago. An instance has been reported to us of the shipment of corn from interior points to an eastern city, in which, during an entire month, there was an average "underbilling," or over-weight, of 36 bushels to the car-load, which alone would make a difference of about 8 cents per 100 pounds in the through rate.

The answer which the eastern "pool" lines make when these complaints are brought to their attention is, that the "cutting" of rates is done by the "bankrupt" lines, which are struggling for mere existence, and that they can not compete with such desperate fellows. Yet it seems to be well established that they pro-rate with these "bankrupt" lines, and the difference in rate is sometimes so great that it seems impossible that the "bankrupt" lines should sustain all the "cutting," unless they are in a condition to pay a premium for hauling freight. But if bankruptcy in railroads means the squeezing out of watered stock, and the willingness to do business on a basis that will earn a fair interest on the actual capital invested, then it is a "consummation devoutly to be wished;" and, as the bankrupt lines seem to be doing a better business than ever before, paying their salaries and working out of their difficulties, perhaps it would be well for roads not bankrupt to imitate their policy before arriving at that condition.

The general superintendent of one of the leading western railways centering here stated to your committee that "the effect of the arbitrary rate made by the pooled lines east from Chicago had been to entirely stop the grain trade of his road with Chicago, except a very little that his line was hauling here. At many crossed points on his road southwest of Chicago they could not move grain at all, as it was going east and northeast around Chicago at Chicago rates. His line was hauling grain from local points on his road to the crossed points at high local rates."

When asked to give his opinion, as a railway official of large and practical experience, suggesting a remedy for our situation, he replied:

"You have a right not only to ask, but to demand, of the managers of these pooled lines that they protect you; that they should not permit lower rates, relatively, east from Milwaukee, St. Louis, Peoria, Indianapolis, etc., than from Chicago; and that they could not close the doors here until they had closed them there also."

The general manager of another of our longest and most important railways particularly committed to Chicago's best interests stated "that at points in Illinois where his line was crossed, and from his intermediate stations, grain was being drawn into the current of the cheap eastern rates prevalent immediately south of us, notwithstanding his local rates to these cross roads were maintained at high figures while his rates to Chicago were at bare cost of transportation." His criticism of the management of the arbitrary pooled lines was similar to that just quoted as to the injustice of their accepting a pro rata from their connections south and southwest of us relatively much less than insisted upon on business originating in Chicago. He said also that "he could not understand the line of policy which would enable these pooled lines to go 85 miles north of here and carry freight at a lesser rate than they are willing to carry it from Chicago."

Referring to his earnest desire to bring property to Chicago, and the causes of his unsuccessful efforts in this direction, he said:

"We are in this position. Our general freight agent has asked these pooled lines leading from here east: Will you let us come in and compete for this (Illinois) business, and pro-rate it through—bring it through? They say: We can not; here are our rates; we can not violate them."

In speaking of his own line, he said:

"We can not haul it 125 to 150 miles to Chicago for nothing. We control over 700 miles of railway in splendid condition, with an equipment of 4,000 to 5,000 cars, and can haul property as cheaply as anybody, and yet we brought in the past twenty-four hours just 14 cars of grain, all told, to Chicago. We feel that we must do better than that or else go to the wall."

These are the utterances of the general manager of a great heretofore dividend-paying railway, whose fame is world-wide, and whose resources of traffic have been regarded as well-nigh inexhaustible. His lines center here, and that the relentless grip of the pool managers is felt by his railway company his declarations too painfully attest.

The general freight agent of still another great railway company, controlling more miles of roads and with perhaps greater property interests here than any railway company in the West, said, with reference to bringing flour, grain, etc., here from local points on his road, for shipment east:

"Our feeling has been since the combination (of the eastern lines), after remonstrating with them and showing them that a large proportion of this business was going that way (via Milwaukee), that we could just stand and take (suffer) it as long as they could; that we would not deviate from our position and policy in regard to that. The rates were the same to Milwaukee as to Chicago at all times over his lines. We have said to these eastern gentlemen, If you will make us the same rate on flour, etc., from Chicago, that is made from Milwaukee by the Detroit and Milwaukee Railway, you can have this business. They refused to do it."

He said further, with reference to his efforts to bring business here, or through here, for the East, as to eastern lines:

"I don't ask any eastern line for anything; to be frank about it, I have told them so. I have exhausted myself on them; I don't choose any more to ask them for help; I have got through. If there is any business I want, I must take it without consulting them, because I have not been able to get any concession out of them."

We will now proceed to give some specific instances of the discriminations practiced against Chicago at various points which will serve to illustrate the whole scheme.

MILWAUKEE, WIS.

Grain from Milwaukee is being shipped, via Detroit and Milwaukee Railway, to New York at 37½ cents per hundred and flour at 75 cents per barrel, while the rates on like property from Chicago are 45 cents per hundred and 90 cents per barrel.

The pooled lines leading east from Chicago are taking business from Milwaukee through Chicago at same rates as from Chicago, paying the Chicago and Northwestern or the Milwaukee and St. Paul Railway Company an "arbitrary" of 4 cents per hundred on grain and 8 cents per barrel on flour, for the haul of 85 miles that Milwaukee is further distant via these lines to the seaboard, thus accepting a net rate of 41 cents per hundred on grain and 82 cents per barrel on flour from Milwaukee, while they steadfastly refuse to haul like property from Chicago at less than 45 cents and 90 cents, respectively.

This system applies to other property than flour and grain, and to all other terminal points east. Large amounts of flour have been sold in Chicago recently and shipped east (from Chicago) via Milwaukee, and the freight between the two markets has necessarily been deducted from the price (at Chicago) in order to equalize values.

The product of many mills, making thousands of barrels of flour monthly, that usually has, and naturally would, come to Chicago, has been diverted to Milwaukee because of the lower rate of freight to the East prevailing there. The extra tax of 15 cents per barrel, imposed at Chicago by the pooled lines, above the Milwaukee rate to the East, has lost the business to Chicago.

MINNEAPOLIS, MINN.

From this point and others in Minnesota and Wisconsin flour is being shipped through Chicago to all points east, over the pooled lines, at 10 cents per barrel less for their proportion than the same lines will carry flour from Chicago, if manufactured here, or offered them by our merchants.

Flour so shipped from Minnesota and Wisconsin points pays local rates to Chicago, and this fact establishes a plain, unwarranted, unvarnished discrimination against Chicago of 10 cents per barrel. It is probable that a like discrimination applies to grain and other property.

DAVENPORT, IOWA,

is located 183 miles west of Chicago, on the Chicago, Rock Island and Pacific Railway, but enjoys the privilege of a net rate on pork products to New York, 2½ cents per hundred less than the rate from Chicago. The Rockford and Rock Island Railway takes the property from Davenport, hauls it a short distance to connect with the Toledo, Peoria and Warsaw Railway, thence the property goes to the lines in the Chicago pool, or lines connecting with them. The rates made by the Rockford and Rock Island are accepted by the eastern connecting lines and they pro rate with

them. The total distance to New York by the route taken is some 240 miles further than the distance from Chicago. Grain is also going from Davenport to Beardstown, thence over lines controlled by the Baltimore and Ohio Railroad to Baltimore, at same rates as from Chicago, the mileage being much greater. A certain line leading from Chicago to Baltimore has offered to take grain from Davenport to Baltimore through Chicago at 30 cents per hundred as their share of the through rate, while the same line demands and insists on 39 cents per hundred on like shipments from Chicago.

Much the same may be said of rates made from Davenport to other eastern cities.

PEORIA, ILL.

From this point, 140 miles further distant from New England and about 100 miles further from New York, the rate is supposed to be 5 cents per hundred above the Chicago rate to the seaboard cities. The fact is, shipments from Peoria to the East do not as a rule pay more than the rate from Chicago, notwithstanding the increased distance. Indeed, they are frequently carried at rates, not only to the southeastern cities, but to points in New England also, lower than can be obtained on like shipments from Chicago. During the fall months grain was taken from Peoria to Portland, Me., at 25 cents per hundred, all rail, over lines not bankrupt, when the rate from Chicago was 35 cents per hundred. The distance by the route taken from Peoria was 340 miles greater than from Chicago. Nearly as great an advantage was given Peoria for weeks on business for New York. These were rates that it was difficult to compete with, even by water routes from Chicago.

The Chicago and Alton Railway Company now offers to haul property from points on its western division to Chicago at ¼ cent per hundred more than the rate that must be paid to reach Peoria. By the published tariffs the total rate east would be 4¼ cents per hundred less via Chicago from these points, but the elasticity of the Peoria rate to the East is shown by the fact that the property referred to goes east by the way of Peoria.

The general freight agents of the lines centering at Peoria recently met in convention here to establish publicly (what they probably knew existed privately) equal rates for Peoria, with Chicago, to all points east. In this they were opposed by one solitary voice, and that the representative of the Chicago, Rock Island and Pacific Railroad.

Grain, corn particularly, has been recently and is now being offered by Peoria houses, some of whom have branch offices at Portland and Boston, at lower prices than can possibly be made from Chicago, whose shippers must pay the full arbitrary pool rates from here, where the mysteries of underbilling are neither studied nor encouraged.

Your committee would call particular attention to this fact: A more westerly and southerly point is beating us in a field northeast of us, where they could not possibly compete with us but for the unjust discrimination made against us in freights.

The Peoria shipments to that latitude must go largely over the very lines (or the lines of their masters) that are so determined to strangle Chicago and so ready to cut at any other point. Grain from several points in the northern half of Illinois is actually being shipped west to Peoria, to avail of the special advantages offered there, for reshipment east.

Under date January 27, 1876, a prominent eastern grain dealer writes to his Chicago correspondent as follows:

"The agent of ——— & Co., of Peoria, called on me last week offering to deliver corn here as per inclosed card (of prices). I asked him how he could do it. He said from most points they had low rates of freight, and from others they could underbill, and thus get low freights. How can I order corn from you? I never had a car of grain from you underbilled, therefore can not compete with others (here) and buy in your market."

It has been stated to your committee that from many points in Illinois on shipments east (not via Chicago) this corrupt system of underbilling is freely practiced and is winked at by the railway agents, if not indeed encouraged by them.

INDIANAPOLIS, IND.,

is 73 miles nearer New England points than Chicago. On mileage to New York points a like difference, or perhaps 10 miles more, is shown to exist. For this small difference in mileage, a difference in rate of 5 cents per hundred on grain, etc., is granted Indianapolis in the tariff tables. Notwithstanding this favor the testimony made before your committee is that a rate is made to large shippers from Indianapolis 10 cents per hundred below the Chicago rate.

On business to Portland a like difference of 5 cents per hundred is made in the tariff in favor of Indianapolis, while the mileage is nominally the same as from Chicago.

From our city the Michigan Central and the Michigan Southern Railroads have direct lines to Detroit Junction (where connection is made with the Grand Trunk), but, being in the pool, these lines are estopped from charging less than 50 cents per hundred on grain from Chicago to Portland, while Indianapolis shipments reach Detroit Junction by a much less direct route over three different roads at a rate of 45 cents per hundred to Portland; and it is noticeable that the Michigan Southern, which insists on 50 cents from Chicago to Portland as the rate for itself and for the Michigan Central, gets a haul of 116 miles of the route between Indianapolis and Detroit Junction on the lesser through rate. It is not improbable that the Michigan Southern is willing to see the Michigan Central robbed by the higher tariff of the large Portland business it has heretofore done, provided its lines shall continue to have so important a share of the immense Portland and Grand Trunk business thus almost wholly diverted by the way of Indianapolis. Much could be said of the volume of New York and New England business lost to us because of the more favorable and more elastic rates unjustly made from Indianapolis; but attention is particularly called to the Portland business because there is no advantage of mileage, and the injustice done Chicago is unwarranted and outrageous. At Indianapolis no charge is made for switching cars to the elevators, nor for "trimming" cars when loading. These charges should be abated by the western lines at Chicago, by whom the elevators are chiefly owned. This tax imposed by the western roads at Chicago upon the eastern lines is an additional and unwise barrier to business being done through the warehouses, and into which they should endeavor to invite it.

CINCINNATI, OHIO.

In the tariff tables Cincinnati demands and secures a rate 10 cents per hundred lower on grain, etc., to all points east than is made from Chicago. This difference is widened on shipments to Baltimore and Philadelphia, without equity; but the manner in which Chicago is wronged by such a favoritism toward Cincinnati in the general tariff is particularly shown by the comparison of Cincinnati rates and mileage with those of Chicago on New England and Grand Trunk business.

From Chicago to Boston the mileage is 111 miles, or say 11 per cent. greater than from Cincinnati, but Chicago must pay a 25 per cent. higher rate. It is again noticeable that the Michigan Southern Railway, so ready to exact the higher rate from Chicago, eagerly accepts its proportion of the lesser rate from Cincinnati on its share of the haul from Cleveland to Buffalo.

But we must look to the Portland (and other Grand Trunk) rates from Cincinnati for the crowning comparison. The difference in mileage is nominal—only 17 miles less than from Chicago, scarcely equal to 1½ per cent. of the whole—but Chicago must pay 25 per cent. more tariff. On about this equal mileage Cincinnati shipments of grain are taken at 40 cents to Portland, while Chicago shipments must pay 50 cents per hundred.

Now mark the result! An immense volume of grain has recently been diverted from all northern and central Illinois, and from Iowa, to Portland and other Grand Trunk points by the way of Cincinnati. Hundreds of cars weekly have gone from one road—the Gilman, Clinton and Springfield. This grain has traveled an extra mileage of 250 to 350 miles to reach Detroit Junction through Cincinnati, at a total rate of 5 cents per hundred less than could be made by the absolutely direct route through Chicago. Some of this property starting at points in Ford County, Ill., within 90 miles of Chicago, though billed due northeast to Portland, has traveled first 97 miles due southwest to [illegible] of the connection of the Baltimore and Ohio Railroad for Cincinnati, and [illegible] north to Detroit Junction, a total of 716 miles to reach the latter point, and [illegible] cents per hundred in freight. The direct haul through Chicago between the points would have been 340 miles less, or a total of 376 miles only. Thus it is that Chicago is being robbed of business from almost under her very eaves.

It would seem that further citations, numerous as they might be, of the workings of this discriminative tariff are unnecessary, though we reluctantly forbear furnishing them.

The five great trunk-lines tapping this business and leading to Chicago must lose it, because the higher tariff east from Chicago drives it away. It would be folly to say that the Grand Trunk Railway is, or would be, willing to make any more favorable rate from Detroit Junction for its pro rate on Cincinnati business than on business from Chicago.

The points are so numerous in the West from which property is being carried at rates relatively much lower than from Chicago that to enumerate them all in detail would be monotonous; but, perhaps, the injustice done Chicago is the more aggravating from the fact that from comparatively small and unimportant places in the West Chicago rates to the East are given, though the mileage is much greater. We can but hint at a few of them.

JOLIET, ILL.,

with greater mileage, has Chicago rates. Some of the lines in the Chicago pool are hauling property over the Chicago, Rock Island and Pacific, or the Chicago and Atlantic Railway to reach Chicago, and pay these roads for their local haul, and thence haul it east through Chicago at Chicago rates, without extra charge for the 40 miles extra haul.

SPRINGFIELD, ILL.,

has same rate as Chicago to all points east, with a greater mileage. On business for Grand Trunk points, the extra mileage, by the route the Springfield shipments take, is 335 miles.

BEARDSTOWN, ILL.

From this point property is being shipped at Chicago rates, and the town is an outlet for a large volume of business, drawn by the Rockford and Rock Island road away from the Chicago, Burlington and Quincy Railroad, the Chicago and Atlantic Railroad, and the Chicago, Rock Island and Pacific Railroad to avail of the low rate offered via Beardstown to the east; the disparity of mileage is greater than from Springfield, Ill., just quoted.

Burlington, Quincy, Decatur, Keokuk, Keokuk Junction, Lincoln, Ill., Mason City, Ill., etc., all have lower rates relatively than Chicago.

KANSAS CITY, MO.

From this point, it is believed by prominent Chicago railway officials, meats are being hauled to New York, through Chicago, at the same rate as from Chicago. The extra mileage by this route (over Chicago) is only 489 miles.

You have now before you some of the facts that your committee have been able to collate after careful and protracted investigation. There can be but one conclusion as to their effect. Their cause and the remedy to be applied are matters for serious deliberation. We have already advanced our own theory of the cause, viz, the purpose of two of the Eastern trunk-lines to direct the drift of the West's and Northwest's shipping trade south of Chicago in their own selfish interest. The purpose of the other trunk-lines in consenting to such an arrangement is not so clear.

The Michigan Central Railroad, with its magnificent equipments, unrivaled facilities, and its popular resident officers, is essentially a Chicago road. Its principal terminus is here, and its strength in the past has come from the growth and prosperity of Chicago. The present management of this line appear to ignore this fact, and adopt the policy of their rivals, which is undoubtedly to divert trade from this city, and by turning the tide of commerce southward, make it directly tributary to those lines having their Eastern termini in Philadelphia and Baltimore, by making arbitrary, prohibitory rates from here, while all interior points are favored with a tariff elastic enough to draw the business that way. We have here the spectacle of that line which should be our natural champion and ally, holding the trade of this city by the throat, while the Southern lines are emptying our pockets. We can not reconcile this course with a desire to do justice to this city, or to the stockholders of the Michigan Central Railroad. We speak particularly of this line as it is the greatest loser, and in no case a gainer, by the diversion of trade from this city; but the same remarks will apply to other of the "pool-lines." This aristocratic and arbitrary combination would have us think them above competing with "bankrupt roads", but the latter are doing a thriving business, and learning in their plebian way sufficient to enable them to improve their tracks and equipments, besides promptly paying their current expenses, and the prospect of dividends from them is as promising as from some of their more pretentious neighbors. But refusal to compete with bankrupt roads appears to be mainly a pretense; for we find that the eastern connections of the so called "pool lines" from Chicago accept their proportions of the through rates made by the net-work of bankrupt roads on the south of us, while they hold to the arbitrary rates that are always fixed first from Chicago, and from whence they are the last to be reduced.

In devising a remedy for the pernicious state of things we have been called upon to describe we can only hope to make suggestions that may assist the Board of Trade and the commercial public generally in solving the problem. As a means to that end we would suggest keeping well in mind the fact that the grain belt is enlarging with every year; and that, while Chicago is the natural center, it will find more competitors as the area increases, and it must put forth new efforts to retain all of its advantages. The geographical advantage of Chicago has served in the past to render it comparatively independent of all combinations, and it has been more sought

for than seeking in railroad connections. Now, however, as competition increases and other interests assert themselves, it must put forth some of its strength which has been largely the growth of the willing co-operation of foreign capital; it must defend its rights and insist upon fair and just treatment at the hands of those who have been friendly heretofore for selfish purposes. It has now sufficient population, business, and capital to help itself in any antagonism that may arise. In its relations with railroads it can afford to be liberal, but it can also afford to be exacting when its rights are threatened. With harmony of purpose and unity of action, the merchants and the Board of Trade of Chicago can struggle successfully with any combination that could be made against them if it comes to a trial of strength. Meanwhile we would advise the encouragement by every fair means of all new railway projects tributary to Chicago. We would suggest that all railroads centering in Chicago and forming new connections with Chicago should receive ample facilities as to right of way, depot grounds, and fair treatment. Chicago is even prepared to put forth capital for the purpose of providing new railroad extensions and connections. It is in this spirit that we commend to the attention of this board and the business men of Chicago the following final suggestion.

We think every encouragement should be given to the increase of our facilities for reaching tide-water and the eastern markets, and recommend the early completion of the Grand Trunk Railway to this city and the immediate establishing of a steam-ship line from here to connect with the Detroit and Milwaukee Railroad at Grand Haven. The completion of 46 miles of road and connection with the Chicago and Lake Huron Railroad appears feasible for the former, and a sufficient offering of freight is all that is required to accomplish the latter. But these remedies are not expected to cure the evils. We believe the best practical results can only come from united action on the part of shippers and business men, and to this end we recommend the immediate organization of an association, which may be done under the auspices of the board of trade, for the mutual protection of all our citizens doing business with railroad or transportation companies. Let the association appoint an executive committee of three of its members, who shall hold regular stated meetings, to hear grievances and take such measures as they may think proper to secure justice to shippers of property. Such an association, backed as it would be by the moral influence and support of this board and the community, though possessed of no special powers from the State, would approximate in its results those attained by the railroad commissioners of Massachusetts, where the gravest abuses have been corrected, mainly by the force of public opinion as guided by three honest, energetic men. A similar association has succeeded in doing efficient work in New York city; and we make the recommendation now in a general way, leaving the details of its organization for such future consideration as the board of trade may determine to give it. Respectfully submitted.

E. B. STEVENS,
WM. T. BAKER,
W. J. POPE,
JOSIAH STILES,
P. W. DATER,
Committee.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Some of the railroads in the United States complain that they are at a disadvantage by reason of being regulated by the interstate commerce act and by State laws, while the Canadian roads in competition with them are not. Do you know any reason why, if it could be done, the same regulations should not be applied to the Canadian roads as now exist in reference to American roads?

Mr. STONE. I think the report of the committee recommends that the Canadian lines operating wholly in the United States should observe the provisions of the interstate commerce act.

The CHAIRMAN. "Lines operating wholly in the United States"; but that practically makes an American road in the sense that it is within the jurisdiction of the United States. But take the Chicago and Grand Trunk, for instance. Its connection is with the Grand Trunk of Canada, and by the connections of the two you do a business with New England and other points east, as you say. Now, while the Chicago and Grand Trunk is under the jurisdiction of the United States the Grand Trunk of Canada is not, only inasmuch as they regard the interstate commerce act in force over them touching the United States, or in connec-

tion with freight taken from here. Is there any objection, therefore, that you gentlemen know of, to placing the Canadian lines under the same regulations as the American roads, if it can be done, in view of the roads of this country being at a disadvantage on account of our restrictions? I am not saying whether or not our roads are at a disadvantage in competition with the Canadian roads, but if the situation is such that the Canadian roads get an advantage because of our regulations, is there any objection to placing the Canadian roads under the same rules and regulations as our own roads are subject to?

Mr. STONE. I do not know, Mr. Chairman, of any reason why they should not be subject to a uniform treatment with the laws and regulations which apply to the roads of the United States in the transportation of American products.

The CHAIRMAN. You have shown that a large amount of business is done by the Chicago and Grand Trunk in connection with the Grand Trunk of Canada. You have shown the proportion, and shown that having the advantage of that road has been of great service to the business of Chicago, the West, the Southwest, and the Northwest. Granting that is so, which in my judgment is undoubtedly true, is there any reason why, if there be a disadvantage now under the operation of the interstate commerce act, or any law, State or national, to roads in the United States, there should not be something done to put the American and Canadian roads on the same level as to regulation and control, either by legislation that will reach the Canadian roads doing business in the United States, or some modification of the laws of the United States that control the American roads?

Mr. STONE. I see no reason why, Mr. Chairman. I do not understand that the Grand Trunk roads or the Canadian lines desire to compete on any other than equitable principles and an equitable basis for the business of the West and Northwest.

The CHAIRMAN. Of course there is no purpose on the part of anybody, so far as I know, to build up a wall between the United States and Canada, or to interfere with these roads doing business in the United States, provided they do business under the same restrictions that are placed over American roads. That is one of the purposes of this inquiry—to ascertain, in the first place, whether the American roads are at a disadvantage, and if they are, whether anything can or ought to be done to change the condition on that score.

Mr. STONE. I understand that the business of the Canadian railways which has been obtained from the West and Northwest and from Chicago pre eminently, has been obtained by virtue of the increased facilities which those roads offer for the transportation of products of the West and Northwest and by reason of their attitude of accommodating themselves to the conditions of commerce, and not only their attitude to these conditions, but also their ever ready and cheerful attitude to the legitimate demands of trade with respect to transportation.

The CHAIRMAN. As an observer of the commerce of this city and surrounding country and its transportation interests, is it your judgment or not that the American roads have really suffered in competition with Canadian roads on account of the enforcement of the interstate commerce act?

Mr. STONE. It is my judgment that they have not.

The CHAIRMAN. And whatever increase of trade the Canadian railroads have secured has been the result of these cheerful compliances with the condition of affairs, etc., here, which made them popular with the business community; is that your idea?

Mr. STONE. Yes, sir. One of the special points made by our committee is that the northern New England trade has been reached and is reached by the Canadian railways in a much more direct and economical manner than is possible to be obtained by the American railway lines.

The CHAIRMAN. Why is that?

Mr. STONE. The route is a more direct one.

The CHAIRMAN. Is it a shorter route from here to Boston than upon any of these other roads?

Mr. STONE. It is to points in northern New England. I think we have mentioned some of those points in the report. The exact distance I am not prepared to state.

POOLING AND THE TRAFFIC ASSOCIATION.

Senator HISCOCK. As I understand the report of the Board of Trade, you pronounce or express your opinion against traffic associations and pooling, and I suppose against differential rates?

Mr. STONE. Yes.

Senator HISCOCK. You do not think those are wise?

Mr. STONE. We do not think they are wise.

Senator HISCOCK. Formerly there were pools between competing trunk lines which are now prohibited by the interstate commerce act. Is there any doubt but what all the trunk lines, including the Canadian trunk line, have agreed upon differential rates on all west-bound and east-bound freight?

Mr. STONE. As I understand the interrogatories, it is not the purpose of the committee to oppose any rates that are agreed upon—any agreed rates—in regard to such a phase of the matter; but we oppose the formation of these associations like those mentioned in the report—the Central Traffic Association being one of them—which have the effect of interfering with the free action of the provisions of the interstate commerce law.

Senator HISCOCK. How do they, Mr. Stone?

Mr. STONE. Well, I do not know that I could in very great detail state how they do. I would only say at this time that it is the opinion of the Board of Trade.

Senator HISCOCK. What is the purpose of the Central Traffic Association?

Mr. STONE. The Central Traffic Association is an association of roads which does not include, as I understand it, all of the railway lines.

Senator HISCOCK. What lines does it not include?

Mr. STONE. I am not prepared to say how many roads are included in that association. I do not know.

The CHAIRMAN. Mr. Stone is the secretary of the Board of Trade, and he rose to read the report of the board. There are present other members of the special committee, who, I take it, would like to be heard in reference to this question.

Mr. STONE. They are more familiar with these questions than I am.

Mr. WRIGHT. We prefer, in regard to this matter, that you examine some members of the committee who have made more of a study of the subject than Mr. Stone. Mr. Clark has examined this subject as fully as any of the members of the committee I can think of.

STATEMENT OF GEORGE CLARK.

Mr. GEORGE CLARK, a member of the committee of the Board of Trade, appeared.

Senator HISCOCK. Can you tell me what the Trunk Line Association is?

Mr. CLARK. If I understand it rightly, it is a combination of lines consisting of the New York Central, the Pennsylvania, the Baltimore and Ohio, the Grand Trunk, the Delaware and Lackawanna, and all lines running east of the termini of Toronto, Buffalo, and Pittsburgh.

Senator HISCOCK. Well, it is a combination of all of these lines, as you understand it, including the Canadian lines?

Mr. CLARK. I am not sure whether the Canadian Pacific belongs to it or not, but I am aware that the Grand Trunk does.

Senator HISCOCK. And what do you understand its purposes are?

Mr. CLARK. The purpose, as I understand it, is the collection of statistics; but I think they go beyond that.

Senator HISCOCK. Do you know that they do?

Mr. CLARK. Unless I am wrongly informed they have a classification committee, and a great many of their classifications are made largely in the interest of their earnings and to the detriment of the business interests of this country.

Senator HISCOCK. You mean a classification of the freight?

Mr. CLARK. Yes, sir.

Senator HISCOCK. In other words, as you understand it, they agree on rates?

Mr. CLARK. Yes, sir.

Senator HISCOCK. The Central Traffic Association has been mentioned here. Is its purpose the same?

Mr. CLARK. Yes; as I understand it.

Senator HISCOCK. In other words, you understand that all of these associations you have mentioned are organized for the purpose of reaching some sort of agreement as to the rates of transportation?

Mr. CLARK. Yes, sir.

Senator HISCOCK. That is they will adopt the same classification of freight and the same rate on the goods?

Mr. CLARK. Yes, sir.

Senator HISCOCK. And all of that is practically one step further in the direction of pooling rates between the trunk lines?

Mr. CLARK. I am aware that there has been some agreement in regard to differential rates.

Senator HISCOCK. There is a differential rate on all west-bound freight over the Grand Trunk of 5 cents a hundred, is there not?

Mr. CLARK. I can not tell you in regard to that. I am not as familiar with the west as with the east bound traffic.

Senator HISCOCK. I think there is also a differential over the Grand Trunk on all east-bound freight if they think they are justified in availing themselves of it; but of that I am not sure.

Mr. CLARK. I think there is a differential east on dressed beef, but I do not think there is on any other business. Mr. Reeve can answer that question.

Senator HISCOCK. We had him before us. Now do I understand that you are opposed to differential rates? All these associations are simply associations for the purpose of agreeing upon differentials, as I understand it.

Mr. CLARK. Do they not go a step further?

Senator HISCOCK. No, they do not go a step further. In other words, all the trunk lines, as I understand it, are in associations for the purpose of maintaining rates. These organizations have for their object the preventing of unsteady and fluctuating rates. The interstate commerce law was intended to prevent the variableness of tariffs at different points, and the policy of the trunk lines, as I understand it, has been to agree upon some traffic rate as between each other, giving one line the benefit of charging less that it may get its share of the business, and in that way to insure permanent rates. Many commercial bodies say that there is nothing so injurious to commerce as the cutting of rates and having them uncertain, up to-day and down to-morrow. The policy of the railroads is, that instead of cutting rates and one road trying to ruin another, to go into an association and maintain tariffs. These have been the two great policies of railroads; one, as I have stated, was to agree among themselves upon what was just and equitable, and agree upon such rates between themselves as would equitably divide the business and not allow others to go in the market and compete, very much to the destruction of railroad systems and embarrassment in the way of fluctuating rates, and injury to intermediate points. The other policy was that they should agree among themselves upon what were fair and just rates, and give differentials to weak roads, so that instead of weeding out the weak road it might get business and live. Now as I understand your resolution it is in favor of the old system, against cutting of rates and against these differential rates. I want to know if that is your judgment.

Mr. CLARK. These associations have not been very successful in the direction you have outlined.

Senator HISCOCK. Are you sure of that?

Mr. CLARK. It would seem with the wrangling going on at present that they are not.

Senator HISCOCK. What wrangling is going on now?

Mr. CLARK. You probably know it all. The Baltimore and Ohio not long ago made a commodity rate on corn and wheat, and the question then came up when the Chicago and Grand Trunk asked them if they would not put that rate back. The trunk line presidents met in New York and had a session that lasted a week, and if they are reported correctly they put up the wheat rate and refused to put up the corn rate. Since I have been in the business I have never known the products of corn, wheat, and oats to go at any different rate from the original grain. They refused to put up the corn rate, and the Grand Trunk then opened up the rate from Chicago on grain and all its products, which takes effect to-morrow morning.

Senator HISCOCK. Well?

Mr. CLARK. Now it seems to me that they have not got any nearer this point.

Senator HISCOCK. That illustrates one phase of this case. At the present time differential rates are allowed between the trunk lines, and while it is not recognized in the law as legal, it is adopted and practiced. As I understand it, all these associations are simply methods to reach that end. As you have stated, notwithstanding all these things, notwithstanding these associations, etc., and the unanimity between the roads, this competition has not been prevented, for the Baltimore and Ohio put down the rate of corn and wheat, and put it down under the interstate commerce law, and can not increase it again outside of a certain time. The tendency is to lower rates, but not spasmodically so that the public will get caught in a corner.

Mr. CLARK. All the differentials I know of east-bound from here are on dressed beef, by the Chicago and Grand Trunk.

Senator HISCOCK. That is an illustration of what I state. Other railroad companies say that "we recognize that you can not charge for dressed beef the same price we charge and get your share of the business. Therefore we will allow you to cut under us to a certain extent with a view to your getting a share of the business." Now, does that injure the dressed-beef traffic?

Mr. CLARK. That was the arrangement in 1887. In 1888 the other lines out of Chicago thought they would wipe out this differential. They commenced a war for the possession of that business and they got it down to a point where there was nothing in it. They carried the business and carried it until they became tired of it, and then they came around and still allowed the Chicago and Grand Trunk their differential, and it has carried the business from that time up to this.

Senator HISCOCK. Now I ask you whether, for permanency of business and trade, war was better than to have had some sort of arrangement between the lines, by which the Grand Trunk should take the larger share of that traffic and that all the lines out of Chicago might be supported or maintained?

Mr. CLARK. If these associations are doing the good you say they are, these things should not have occurred.

Senator HISCOCK. I am not arguing it. Do not understand me as taking any position on this question. I am simply a seeker after light, and that is all there is about it. The policy of differentials and pooling, if it were adopted, would tend to sustain the weak roads, as it is claimed by a great many chambers of commerce and a great many transporters, forwarders, and merchants, by giving them their share of the business and keeping them in the field as competitors.

The CHAIRMAN. And the Grand Trunk being regarded as the weak road would therefore get this differential.

Senator HISCOCK. Yes, and this wholesale censure by this Board of Trade surprised me, because the Boston people were in favor of it, and their interests appear to be identical with yours.

Mr. CLARK. We have thought the contrary.

Senator HISCOCK. I should like to have you gentlemen consider this question again, for it is very important. This thing has been urged not by railroad men, but by merchants and transporters, who say that what the interstate commerce law ought to do is this: To legalize pooling, and that the rates agreed upon shall be approved by the Interstate Commerce Commission. There are many very strong advocates of that. It is not limited by any means to railroad men. They say it is for the interest of merchants that the weak lines be maintained for the purpose of supporting competition, and that if pooling could be legalized, the rates always to be submitted and subject to the approval of the Interstate Commerce Commission, and they to hear complaints in reference to the rates, on the part of all portions of the country, it would be one of the wisest things in the world in railroad management, and that it would give stability of rates and lower rates.

Mr. CLARK. Why not go a step further and do away with pooling entirely, and let the Government make the rate?

Senator HISCOCK. That is about the same thing.

Mr. CLARK. Do you mean by pooling that the pools are to be what they were in the past, and that they are to pay over any surplus?

Senator HISCOCK. It means one of two things; it means pooling as in the past or pooling as is contemplated here; that when a railroad does

more than its share of the business it settles with the other road or roads in reference to it; or that there be an absolute division of freight between the trunk lines.

Mr. CLARK. I am afraid that any pooling system, unless the Government itself would make the rate, would increase the rates from here to the East very largely.

Senator HISCOCK. I know that has been the idea; that has been the argument that has been used against it. Pooling is prohibited by the interstate commerce law.

Mr. CLARK. I understand that.

Senator HISCOCK. Differentials are not; the Erie road has differentials.

The CHAIRMAN. It was stated that before the interstate commerce act took effect the Erie got $500,000 a year under the pooling system.

Senator HISCOCK. Yes; and it has a differential now. These differentials are now allowed as between the trunk lines, and, as I said, they are allowed on all west-bound freight, and agreed on as to a part of the east-bound freight with respect to the Grand Trunk. Notwithstanding that, you cite this instance of the Baltimore and Ohio, and it is a manifest fact that freight rates since the interstate commerce law has gone into effect have gradually depreciated. They are lower now than before the passage of the interstate commerce bill.

Mr. CLARK. I think not.

The CHAIRMAN. How are the rates as to through freight?

Mr. CLARK. I think they have averaged relatively higher since the interstate commerce law went into effect than before.

Senator HISCOCK. The freight agents generally have all told us that they are lower as a rule.

Mr. CLARK. That may be, Senator; but there are some classes of freight that have been put into the classification, especially dairy products, and the rate increased thereby. While the rate on certain classes of goods may be lower they have put them into a higher classification and made the rate higher.

Senator HISCOCK. That may be so. I was not aware of that, and so far as I was concerned no witness was interrogated on that point. But all of the freight agents and freight officials have told us in general terms that since the adoption of the interstate commerce law there had been a gradual depreciation of freight rates on all traffic.

The CHAIRMAN. Both as to local and through freight—especially local.

Mr. CLARK. I think on freight west of Chicago the rates have been lowered, but I think from Chicago east-bound the rates are higher than they were before the interstate commerce law went into effect. I speak relatively. I am not talking of their tariff rates, but what was actually paid.

The CHAIRMAN. What are the through rates on wheat and corn between here and the sea-board on the trunk lines?

Mr. CLARK. Twenty-five cents.

The CHAIRMAN. What were they four years ago, if you know?

Mr. CLARK. Anywhere from 15 to 20 cents.

The CHAIRMAN. According to the private bargain that could be made?

Mr. CLARK. That is it, sir.

The CHAIRMAN. Do you remember what the rates were?

Mr. CLARK. I could tell by referring to my books.

Senator HISCOCK. Was not this true, that at that time they were fluctuating and have been steadier since the interstate commerce act went into force?

Mr. CLARK. I admit that they have been much steadier.

Senator HISCOCK. And that is one of the reasons urged by these people in favor of these differentials, because while they do not prevent competition and do not go to that extent, the effect is to give a steadier rate of freight to the people.

Mr. CLARK. You mean the effect of the interstate commerce act?

Senator HISCOCK. No; the effect of allowing these differentials.

Mr. CLARK. I can hardly say that that is so. If one road once in a while thinks it can wipe out that differential it makes rates accordingly.

The CHAIRMAN. How does it happen that the Grand Trunk reduces its rates on all freight?

Mr. CLARK. They go upon the theory, as I understand, that grain and all its products should go at one rate.

The CHAIRMAN. You say its change of rates takes effect to-morrow?

Mr. CLARK. Yes, sir.

Senator HISCOCK. In that case I fancy they are all within some one or more of these organizations that you speak of, and the result is that the lowering of rates on the Baltimore and Ohio forces the Grand Trunk to lower its rates.

Mr. CLARK. The Pennsylvania issued a tariff that reduced the rate on wheat and corn, but nothing else.

Senator HISCOCK. Notwithstanding that these great trunk lines say "we will bring down these rates;" and the result of it is that the Grand Trunk road instantly has to follow suit. But under this system of differentials, and under these organizations that the roads have, you are not embarrassed by rates that are put down to-day and put up to-morrow. I do not want it understood that I have any opinion on the question, and simply desire to get facts in reference to the matter under consideration and the opinions of gentlemen who are engaged in commerce.

The CHAIRMAN. What road started the reduction of rates on through freight from here to the East?

Mr. CLARK. You mean on this matter?

The CHAIRMAN. Yes.

Mr. CLARK. The Baltimore and Ohio.

The CHAIRMAN. So that the American roads really began the movement for the reduction of rates between Chicago and New York?

Mr. CLARK. They did in this instance.

The CHAIRMAN. Has it been a fact heretofore that these Canadian lines inaugurated reductions to a greater extent than the American lines?

Mr. CLARK. In some cases perhaps they have, but as far as the reduction of rates is concerned I think probably the American lines have reduced the rates as fast as the Canadian lines have.

The CHAIRMAN. As a matter of fact they generally co-operate with each other, whether upon the basis of differentials or not; they have generally gone along and charged the public the same rates between here and New York and Boston?

Mr. CLARK. Yes.

The CHAIRMAN. One road has charged the same as another?

Mr. CLARK. As a general thing, sir.

THE EXPORTATION OF GRAIN.

The CHAIRMAN. You are a shipper?

Mr. CLARK. Yes, sir.

The CHAIRMAN. What do you ship?

Mr. CLARK. Grain.

The CHAIRMAN. Are you a commission merchant?

Mr. CLARK. Yes, sir.

The CHAIRMAN. Over what road do you ship?

Mr. CLARK. Over all the roads.

The CHAIRMAN. Depending on the circumstances?

Mr. CLARK. Yes, sir.

The CHAIRMAN. Do you ship grain largely for export?

Mr. CLARK. In some cases I do; but I do nothing on the other side.

The CHAIRMAN. Do you not ship on through bills of lading from Chicago to Liverpool?

Mr. CLARK. Yes, sir; I buy property and ship it on through bills of lading; but I do it for parties in this country and not for parties on the other side.

The CHAIRMAN. Not for Liverpool purchasers?

Mr. CLARK. No, sir.

The CHAIRMAN. Over what route do you send grain for export?

Mr. CLARK. I have used most all the lines at different times.

The CHAIRMAN. Do you do your own correspondence with the steamship companies to ascertain what rate they will give you?

Mr. CLARK. No, sir.

The CHAIRMAN. Who does?

Mr. CLARK. The rate is quoted here generally, but in some cases we do considerable export business by way of Boston, upon which the rate is obtained there and we are notified, and the parties there make their own rate with the steam-ship company.

The CHAIRMAN. When you ship over the Canadian Pacific do you ever find that for the portion of the charge for the transportation of the grain on the water you get a better rate by shipping over the Grand Trunk than by the American line? I will tell you why I ask that question. One witness whom we had before us in Detroit stated that he was a shipper of lumber, and that he could get an advantage of $1.25 a thousand by shipping over the Grand Trunk on the water transportation from New York to Liverpool or London, or to wherever he shipped; that he could get $1.25 per thousand less ocean rate by shipping over the Grand Trunk to the point of export than he could by shipping over the American line to New York and then exporting.

Mr. CLARK. I did not know of anything of that kind being done. On all the property I have shipped for export by way of Montreal the ocean rate has been named by Montreal agents.

The CHAIRMAN. You ship at published rates on the railroad for the inland shipment, do you not?

Mr. CLARK. I can not tell you. It has always been, as I understand it, that they have used the basis of the New York rate on their shipments.

The CHAIRMAN. You know that heretofore you would get a rate from here to Liverpool, for instance, and the railroad would make you that rate without informing you or letting the country know what proportion of it was the inland charge. The Commission has decided that the railroad must publish its inland rates and adhere to them, and that the rate on the water must be a separate and distinct rate. You do not know anything about how that is divided?

Mr. CLARK. I have not since the Commission made the decision to which you refer. I shipped all last winter by way of Portland, and some by way of Boston.

The CHAIRMAN. You gentlemen are in favor of keeping open these

avenues of commerce by way of the Chicago and Grand Trunk and the Grand Trunk proper to the Eastern markets?

Mr. CLARK. Yes, sir.

REGULATION OF THE CANADIAN ROADS.

The CHAIRMAN. Suppose it should be ascertained definitely that under the interstate commerce law, which is now in force in the United States the American roads were at a disadvantage in competition with the Canadian roads, have you any objection to or do you know of any reason why the Canadian roads should not be placed under the same regulations, if they do business in this country, as the American roads are placed under?

Mr. CLARK. To divide my answer to that question, Mr. Chairman, I can not see where the American roads are placed at any disadvantage.

The CHAIRMAN. You do not believe they are; but suppose they are?

Mr. CLARK. Then beyond that, if you will allow me to say it, it seems to me that if under the interstate commerce law all the roads running in connection with the Canadian roads are amenable to that law, it is an international question.

The CHAIRMAN. Suppose it is an international question; that does not make any difference.

Mr. CLARK. If it can be arranged by any treaty or by any arrangement otherwise made, I see no objection, so far as carrying American products is concerned, why the law should not cover the Canadian roads.

The CHAIRMAN. That the two systems—the American and Canadian systems of railroads—should be put on the same level, so far as Government regulations are concerned?

Mr. CLARK. If it can be carried out by any treaty or any other arrangement.

The CHAIRMAN. I am not saying whether it can or can not be done, or whether it is necessary to do anything; but I want to know from you, as a business man of Chicago, if you see any reason why the same regulations should not prevail in Canada and in this country, if it seems necessary to do so, in order to put the two systems of railroads on an equality.

Mr. CLARK. I do not see any objection to it.

The CHAIRMAN. That is the point I wanted to get at.

THE OBJECT OF TRAFFIC ASSOCIATIONS.

Senator REAGAN. What do you understand to be the object of the formation of the associations referred to in the fifth answer of the Board of Trade?

Mr. CLARK. As I stated to Senator Hiscock, my idea is that they hold forth for the purpose of gathering statistical information. That is the object for which they were first started, as I understand it.

Senator REAGAN. Is not the object to regulate rates and to prevent competition?

Mr. CLARK. If that is so they have not been very successful.

Senator REAGAN. I do not assume any thing about it; I am just asking your opinion whether they are not formed for the purpose of regulating rates and preventing competition.

Mr. CLARK. That is their tendency in my judgment.

Senator REAGAN. Is not that the reason why your committee in its written report says:

> Such associations tend to destroy competition and to oppose or evade the enforcement of the interstate commerce law.

Mr. CLARK. Yes, sir.

Senator REAGAN. Is there, in fact, any difference in the effect of the present associations and what we formerly understood as pooling?

Mr. CLARK. Yes, sir; there is some difference.

Senator REAGAN. In what does that difference consist?

Mr. CLARK. There is no money paid over for any extra tonnage carried, while before the law was passed under the old pooling system money was paid over for extra tonnage carried.

Senator REAGAN. Differentials, as they are called, are substituted for pooling. What is the difference in fact between differentials and turning over the money in excess of the tonnage a road is entitled to carry?

Mr. CLARK. There is considerable difference. I do not know, as I stated to Senator Hiscock, of any differential on east-bound property; only on west-bound.

Senator REAGAN. I was not inquiring about that.

Mr. CLARK. And while the money-pool before the law was passed, applied to all tonnage, the differential, as I understand it, now applies only to dressed beef.

Senator REAGAN. Do you regard it as wise public policy to compel the roads that do the larger business to surrender the right to do that business in order that other roads may do it?

Mr. CLARK. I do not quite comprehend your question, Senator, as you put it, though I think I know what you mean.

Senator REAGAN. Do you regard it as good public policy to compel the roads that are able to do the larger business to concede the right to roads doing the smaller business to charge the lesser rate? In other words, is the policy of differentials a wise policy?

Mr. CLARK. It might be a wise policy, so far as the roads are concerned. It might prevent a rate war or something of that kind.

Senator REAGAN. Is not the effect of it to increase freight rates to the people who ship and those who consume?

Mr. CLARK. It might in some cases.

Senator HISCOCK. Let me put this question to you: You take the United States trunk lines and the Canadian trunk lines, and the United States trunk lines, one of them, at least, and I do not know but that there are two, have by far an easier grade; they all go through densely populated country, as compared with the Canadian trunk lines; their local freight and local passenger traffic are immensely larger on each of them than on the Canadian trunk lines. Now I submit to you as a commercial man whether it would be better to have a war of rates between the American trunk lines and the Canadian trunk lines, which of course might temporarily embarrass all the roads, and unless the Canadian trunk lines are supported as political necessities by Canada, would embarrass them more than all the rest—would it be better for Chicago to have an arrangement by which differentials were given the Canadian trunk lines so that they could have their share of the business or to have this rate war?

Mr. CLARK. In answer to that question I will tell you candidly that as respects traffic outside of the dressed beef business in the commodities in which I deal, on even rates the Grand Trunk line will get more business out of this town to-day than the system you speak of.

Senator HISCOCK. On even rates, very likely; but supposing it were a question of cutting rates, suppose the question came up which one of these roads could do business cheapest and quickest—say there were two competing lines, one of which could do business cheaper or had the shorter line and had facilities superior to those of the other road—would it be better for the trunk line that had such facilities to surrender a share of the business to the weaker line or go in and wipe out the weaker line? That is a question of railroad policy that is being discussed by commercial men and railroad men all over the United States, and it is a serious problem. It is fair to say that the general tendency for the last five or six years, or seven years, has been in favor of giving the weaker line a share of the business.

Mr. CLARK. I am aware of that fact.

Senator HISCOCK. I do not know but what that has been the general opinion for ten years. What I wanted to know was whether this language here in the report went in as a deliberate judgment against that policy or rather as a rhetorical expression? Since I have been here one of the largest shippers in Chicago expressed to me the opinion unqualifiedly that if, under the interstate commerce law, pooling could be adopted which would be under the supervision of the Interstate Commerce Commission it would give stability to rates and in the end tend to reduce rates. I do not care to mention his name, but that was his opinion.

Mr. CLARK. If the Government could make the rates without the pool I think we would be better off.

Senator HISCOCK. The Government would practically make the rates between these other trunk lines and the Grand Trunk line.

STATEMENT OF WILLIAM J. POPE.

Mr. WILLIAM J. POPE, a member of the committee of the Board of Trade, appeared.

The CHAIRMAN. What is your name, sir?

Mr. POPE. William J. Pope.

The CHAIRMAN. Proceed to make whatever statement seems pertinent to this inquiry, Mr. Pope.

Mr. POPE. Mr. Chairman and gentlemen, the line of examination has taken an entirely different drift from what I expected when I came before you.

The CHAIRMAN. It has been a little bit on the side track.

Mr. POPE. There is nothing in the resolutions which were submitted to us that touches the question of pooling.

The CHAIRMAN. That question does not especially belong to this investigation.

Mr. POPE. And therefore, while I am greatly interested in the subject, I am here without special preparation.

The CHAIRMAN. The committee does not expect you to talk about pooling unless you choose to do so.

THE QUESTION OF POOLING.

Mr. POPE. I would like to say a word about pooling from practical experience, and tell you why I am opposed to it.

The CHAIRMAN. I remember when you gave your testimony before this committee a few years ago you expressed yourself as opposed to pooling.

Mr. POPE. I am opposed to pooling because it is utterly and wholly un-American. I think it begets indifference on the part of the railroads to the wants and wishes of the trade. That sort of indifference begets indolence, and not infrequently indolence begets insolence. I will recite to you an experience I had of that sort; and, by the way, it occurred only recently before the meeting of your committee on its former trip.

We had an extremely high-priced corn market here in 1884; corn was selling at something like 70 cents per bushel. We have an extensive trade through the West. One of our customers, living at Arkansas City, as I remember, had one hundred and fifty cars of corn that he ordered us to sell for arrival here, provided we could secure for him its prompt shipment. I called immediately on the general freight agent of the Chicago, Rock Island and Pacific, and the Chicago, Burlington and Quincy, and arranged for the transportation of the corn. On the arrival of the property at Kansas City the pool commissioner there put in his oar and insisted upon the diversion of that property to the Wabash system. Now, the Wabash was a line which at that time was not solvent; its equipment was in a wretched condition; its road-bed was in still worse condition, and had my property been ditched in transit—in the first place it was not at all probable that the Wabash had the motive power to get it here in time—I would perhaps have been whistling even to-day for the pay for it; that is under the old management of the Wabash. It was only by the greatest effort that my property was saved from that sort of diversion.

I must say that I should have regarded that treatment of diverting my property from two lines selected by myself, good and responsible lines, to a line which I would not have chosen, as unjust. I can not help but think it approaches insolence, and therefore I have used the word advisedly.

It would be equal to this: This committee knows that the Grand Pacific is a first-class hotel, and it engages rooms here. Now, suppose there was a hotel pool, and after you had engaged your rooms at the Grand Pacific, on arriving here you should be given rooms on Clark street, in some inferior house. It is entirely un-American.

The railroad lines flourish and have flourished for some time. I have lived here for thirty odd years, and have been a patron of all the lines, and they have flourished without the pooling system.

So far as respects this question at the close of our report, which I did not consider very fully, I concede a great deal can be said. I think the questions put by Senator Hiscock are very important. Something can be said on both sides, however. The most stalwart friends I have among the railroad people are large holders of railroad securities, and I would not like to see them injured materially or wronged, or even damaged in pocket; but there are the great people of this country, and their rights are something as well as those of the stockholders of the railroad lines.

I am opposed to these associations, not so much as to what they are, but as to what they are drifting to. It means a great pool, with just that sort of indifference to the wants of the people, just that sort of indolence, I think we should avoid.

But a few years ago—I am going to speak from experience, because I think that is a little better than theory—there was a pool of the three lines which have been named going out of Chicago—the principal lines out of Chicago—the Michigan Central, the Michigan Southern, and the Pennsylvania system. They exacted 45 cents on freight to New York and 50 cents to New England, and there was no power in this

town, no supplications, no appeals, no prayers, that could move them on that point.

A gentleman who said that his average haul was fourteen cars a day stated that unless the pool was broken up his company would be ruined. Property billed for Portland, Me., started 90 miles below Chicago, although Chicago is on a direct line, and took a southeasterly course, then to Springfield, from Springfield to Flora, then to Cincinnati, and then over the Hamilton and Dayton system to Detroit, there to take the Grand Trunk road to Portland. This was owing to the billing system adhered to here with great tenacity. Property ran around three sides of a square, and I lost money on some of that property, while the pool sat here with indifference and refused to change that condition of affairs. By running those extra miles 5 cents a hundred was saved. As a boy brought up in Chicago, where there is a chance for all and fair treatment all around, you see I have the wrong education to believe in pools. I heard the Senator ask the question if the making of a pool did not benefit the weaker line and thereby create competition and maintain competition.

Senator HISCOCK. I do not know that I did in connection with the pool; I may have in connection with the differential.

Mr. POPE. This is a digression, but I am clear about what I say in regard to losses on that business and other business.

The CHAIRMAN. While you are on this subject, which is somewhat outside of our inquiry, please state what is the situation now under the interstate commerce act?

Mr. POPE. I think the situation now is very much a question of management on the part of the railway people—a question of good management. You are somewhat familiar with the condition of the Wabash road in this State. There was a property running through an excellent territory, with large crops usually, and yet the previous management of that road allowed its first-mortgage bonds to be defaulted upon in interest. Those bonds were taken here largely by trust associations, and widows and orphans took them, and they declined to something like 60 cents on the dollar. These people holding these bonds went to our distinguished court, and Judge Gresham appointed a receiver, and an efficient receiver, yet when that road was given to the receiver it was not calculated to earn money. For two years we had from one-half to three-fourths of a crop. Under the administration of that man, however, who had no experience in pools, he established an *esprit de corps*, stood here to serve the people and not to punish them, and in a short while paid the defaulted interest, the bonds went to par, and finally he turned over the property with everybody in love with it, the road-bed in fine order and the equipment in first-class condition. So management has something to do with it. He could not stay sometimes in Europe, sometimes in Washington, and at all times in politics, and do that sort of thing with a road.

The CHAIRMAN. What I thought was that this practice of having grain travel three sides of a square and finally going east had ceased sometime ago and had not been the case since the enactment of the interstate commerce law. That sort of thing is not going on now, is it?

Mr. POPE. No, sir; it is not going on to any great extent at the present time; there has been diversion.

There is another thing I shall speak of briefly. The Baltimore and Ohio made a 20-cent rate on corn but maintained a 25-cent rate on wheat, and the presidents' association of the trunk lines, meeting in

New York, ratified that heresy. Grain has always gone at a uniform rate. Oats are of less value than corn, and if any discrimination should be made in favor of any grain it should be with respect to oats. I do not think the Interstate Commerce Commission or this committee would ratify that sort of humbug, and yet the trunk-line presidents meet in New York and say it is all right. They say "Punish wheat and oats all you can." That is the outcome when men's hands are tied by rate associations, etc. They do not go into the channel where they will learn the wants of the people. I think that action alone is one of the most remarkable I have ever known of, and a remarkable fruit of the class of associations I have been trying to describe to you.

The CHAIRMAN. The volume of corn to be moved is much the larger, I take it.

Mr. POPE. Yes, sir; the larger portion.

The CHAIRMAN. I suppose they took that into justification, as far as it goes, in this discrimination between corn and oats?

Mr. POPE. Yes, sir.

Senator HISCOCK. What difference did they maintain between corn and wheat?

Mr. POPE. The wheat and corn rate are the same, but they allow the reduction on corn.

Senator HISCOCK Reduced corn below wheat?

Mr. POPE. Yes, sir, and below oats. There might be some justification if the reduction was on the grain of lesser value.

The CHAIRMAN. As a shipper and business man here, I will ask you if the interstate commerce act is obeyed or not, as far as you know?

Mr. POPE. I think it is very generally obeyed. There was a recent action taken here by one of these associations—I think it is called the Interstate Commerce Association—in regard to rates at competing points in the Northwest. But I think the law is very generally obeyed. The law is very popular in the United States, I take it.

Senator HISCOCK. Do you carry your argument against pooling to the same extent against differentials?

Mr. POPE. No, sir; I do not. I concede that where these differentials are agreed upon between different lines of railway they are helpful. I think the roads should keep their agreements, but of course railway men do not keep their agreements with each other.

The CHAIRMAN. Do you perceive very much difference between the principle of allowing differentials between railroads, which means the helping of the weak by the stronger, and the ordinary pooling arrangement, by which freights are divided and profits are divided?

Mr. POPE. I think they are wholly and totally dissimilar; absolutely dissimilar. No one charges the Pennsylvania system, I fancy, with violation of the interstate commerce act by cutting rates. Previous to the Johnstown disaster it did the largest passenger business out of this city. And why? Because it makes the quickest time, furnishes the best character of road-bed, and has better accommodations. If some other road that runs around Robin Hood's barn chooses to make $1.50 or $2 less rate, it is no concern of the Pennsylvania. They do not do it by consent of the Pennsylvania, but of necessity.

The CHAIRMAN. When the Pennsylvania and the other roads are being interfered with more or less by traffic being taken by a round-about road that you refer to, they get together and say: "This will not do; they are taking our business from us, and to stop that we must give them a differential, and publish their rates."

Mr. POPE. That is different from the pooling system.

The CHAIRMAN. Take the Chicago and Grand Trunk in connection with the Grand Trunk of Canada, and they say, "We will carry this, that, and the other at a given rate," which is very much below the rate at which the other roads carry the same thing. Then these other roads say, "We can not allow this; it will ruin us," and they state to the Grand Trunk "If you do not do that we will give you a 5-cent differential." That is a sort of a pooling, is it not?

Mr. POPE. I do not think it any kin whatever to the pool. If I thought it was I would not have answered as I have. These wars of rates have occurred before, and the roads have adjusted them. I am not one who desires to see them, but if they are an evil, they are a lesser evil than that which would follow anything like a legalization of the pooling system in this country.

The CHAIRMAN. You are a large shipper?

Mr. POPE. I handle a great deal of grain.

The CHAIRMAN. What roads do you ship over to the east?

Mr. POPE. We do not confine ourselves to any particular line. At certain seasons of the year we like the New York Central delivery. Our Boston grain goes largely by the Grand Trunk. I think a large proportion of this business going to New England goes there because it does not have the canal competition in the distribution of grain that the New York Central system has. The New York Central system loses a large amount of its business after it reaches Buffalo because of the canal. While these percentages show a large volume of business in the New England trade by the Grand Trunk, on any other branch of trade, for the reasons I have suggested, the Grand Trunk would stand at almost *nil* in percentages.

The CHAIRMAN. Do you ship for export?

Mr. POPE. Sometimes.

The CHAIRMAN. Are you familiar with the inland rates as well as the ocean rates?

Mr. POPE. I am familiar with the changed system under the interstate-commerce law as compared with what it was previously.

The CHAIRMAN. You get a published rate from here to Boston?

Mr. POPE. Yes, sir.

The CHAIRMAN. And then you make the best bargain you can at the port from which the goods are shipped across the ocean for the ocean transportation?

Mr. POPE. No, sir; the eastern consignee makes the ocean rate.

The CHAIRMAN. Do you believe that the American railroads under the interstate-commerce act and State regulations are at a disadvantage in competition with the Canadian roads?

Mr. POPE. Well, we have said in our report that we think not. That is candidly my opinion.

The CHAIRMAN. If it should turn out that you are mistaken and that they are at a disadvantage, what would you favor? Would you favor placing the Canadian roads, if there is any power to do it, upon the same level, or would you want to change the laws of the United States?

Mr. POPE. The two systems of roads should be placed, in my judgment, on the same level. As far as I know, the Canadian lines competing for business here can not be reached. I think the Canadian Pacific owns and operates its line in Vermont or Maine. There is no difficulty about reaching the Grand Trunk any more than there is in reaching the Chicago and Grand Trunk.

The CHAIRMAN. Their officers testified that they observe the interstate commerce act fully in all business touching the United States,

whether it goes out of the United States into Canada, or through Canada into the United States, or goes through Canada for exportation at Montreal, or comes through Canada into the United States. They insist that they obey the interstate commerce act as to such shipments. Our railroad officials insist that the Canadian roads can recoup and make themselves whole upon their own people in their local traffic, with which, of course, we have no right to interfere.

Mr. POPE. As far as my observation goes from reading the testimony given at your interesting sessions in other cities and here, the only complaint is from attorneys of lines in direct competition with the Canadian lines. I have yet to find the first merchant in this city who finds any such fault. While the intelligent and honorable gentlemen who are the traffic managers of this line, and who ought to know all about it, say they do obey the law, some attorney, who knows nothing whatever about their traffic business, says they do not. Now I say between the two the preponderance should be with the man who knows with respect to the business and not the man who does not.

Senator HISCOCK. Going back to this other question that I say you have interjected in here—did I understand that you are in favor of differentials but not in favor of pooling?

Mr. POPE. To answer the question fairly I will say this: I see no objection whatever to any agreement that the managers of the railways may make among themselves for the allowance of a differential. I do not desire to go upon record as saying that I would like to see that thing legalized, or any further steps taken than the interstate commerce act does in that respect. For the peace and harmony and good management of the roads, and the interest of their stockholders, I can see how the allowance of these differentials at times may be wise and proper. I hope I am not a crank on the subject.

Senator HISCOCK. I hope you do not think I am insinuating anything of that kind.

STATEMENT OF A. M. WRIGHT.

Mr. A. M. WRIGHT, a member of the committee of the Board of Trade, appeared.

The CHAIRMAN. This report, I suppose, represents the feeling of the Board of Trade, Mr. Wright.

Mr. WRIGHT. I think so. I think there is no attempt at rhetoric in the report, and I hope the committee will not think that anything is put in it for the purpose of pointing off sentences. I think the report represents the sentiments of the Board of Trade. Of course it has been formulated by only a small number of the board, but I would say in a general way that the commercial world of the West will view with a great deal of apprehension any experimental legislation. We think we are getting along well with Canada, and the trade that goes through Canada, and the Canadian trade, and the merchants of the West and the producers and farmers of the West, I think, would view with alarm any experiments undertaken for the purpose of remedying a fancied evil, unless that evil is very plainly shown to exist.

The CHAIRMAN. This committee, as you well understand, is simply charged with the duty of inquiring as to the effect of Canadian competition, and the questions affecting and bearing upon the subject, and have no expressed opinion of our own, certainly; and we do not expect to have any until we have heard substantially all the facts in the case.

We have been to New York, Boston, and Detroit, and thought that after hearing you gentlemen in Chicago we would probably have covered the ground sufficiently to know whether we should do anything except report the facts to the Senate of the United States.

Mr. WRIGHT. I may say that the pool has always operated against Chicago.

The CHAIRMAN. You are speaking now of the general pooling system?

Mr. WRIGHT. Yes, sir; as it existed before the law was passed, and we do not know that it will ever be better. I may say it has always worked to the disadvantage of Chicago.

STATEMENT OF H. F. DOUSMAN.

Mr. H. F. DOUSMAN, a member of the committee of the Board of Trade, appeared.

The CHAIRMAN. What do you know about the situation, Mr. Dousman?

Mr. DOUSMAN. I know that in February, a year ago, I bought two cars of corn in Atlantic, Iowa. I shipped one car direct to Baltimore, and the other to Chicago and then to Baltimore. I know that the tariff on the car coming here and going from here to Baltimore was 43½ cents, and the tariff on the car going direct to Baltimore was 28½ cents. Both cars were loaded with the same property, going over the same line, to the same place, and to the same party.

The CHAIRMAN. You say the two cars went over the same line?

Mr. DOUSMAN. Precisely; the same two roads, the Chicago, Rock Island and Pacific, and then the Baltimore and Ohio.

Senator HISCOCK. Did it change in bulk here?

Mr. DOUSMAN. Yes, sir; in both cases.

The CHAIRMAN. How do you explain that?

Mr. DOUSMAN. The tariff was published at 28½ cents from Atlantic, Iowa—from all Iowa points—to Baltimore. I am testing that case before the Commission.

The CHAIRMAN. At the present time?

Mr. DOUSMAN. Yes, sir.

The CHAIRMAN. If the tariff was published and you were shipping to the same man in the same city two car-loads of the same freight over the same road, how did it happen that you paid different rates on the two car-loads?

Mr. DOUSMAN. The railroad claimed that, under the interstate commerce act, as long as the total rate from the point of origin was greater than the rate from Chicago, which was 24½ cents, they were entitled to do it; that one is an original shipment from here and the other is a through shipment from the other place. The service was the same.

The CHAIRMAN. I do not quite understand how it was an original shipment from here.

Senator HISCOCK. There was a break in the bulk here. In other words, the question involved was this: Whether they had a right to charge more from Chicago to Baltimore than they charged from Atlantic to Baltimore.

The CHAIRMAN. The shipment from Atlantic to Chicago was under a sort of arbitrary.

Mr. DOUSMAN. No, sir; it was the regular rate. Last winter property was taken, as I understand—and I have it very straight—from

Iowa points to Beardstown, Ill., and forwarded from there to Baltimore at lower rates than the regular agreed rates.

The CHAIRMAN. You claim that you were discriminated against and that it was the result of this combination traffic system.

Mr. DOUSMAN. The combinations pretend to regulate rates, but they do not.

Senator REAGAN. When was freight taken from points in Iowa to Beardstown, in this State, for shipment to Baltimore at lower rates than the rates agreed upon by the roads?

Mr. DOUSMAN. A year ago; in February, 1888.

Senator REAGAN. Was the matter presented to the Interstate Commerce Commission?

Mr. DOUSMAN. It is before them now. The papers are all on file. Mr. Wicker's road at that time made a tariff from Turner, 40 miles from here, providing one rate if it went to Baltimore, another if it went to New York, another if it went to Boston. He was not to blame. He had to do it to get any freight. He, perhaps, can give you the reasons for it better than I can.

Mr. WICKER. I will speak of them when I get on the stand.

STATEMENT OF HENRY C. WICKER.

Mr. HENRY C. WICKER, traffic manager of the Chicago and Northwestern Railway Company, appeared.

The CHAIRMAN. What is your business?

Mr. WICKER. I am traffic manager of the Chicago and Northwestern Railway Company.

The CHAIRMAN. You have heard the statements here this morning, and you may go on in your own way and tell us what you know about the subject-matter before us.

Mr. WICKER. The facts in reference to these transactions are substantially as stated by the gentleman who preceded me. In order to make the situation plain it will, perhaps, be necessary to state some things that you are all cognizant of.

The system of making rates eastward bound is a system that starts with Chicago as the unit. Say the rate is 22 cents from Chicago to Baltimore. That was taken as 100. The rates from Peoria, Beardstown, and St. Louis and other towns south of here were made at certain percentages above those rates, being a greater distance from the sea-board. The rates were published from these other places on that scale, but the lines leading from Beardstown more especially, and I think the same is true of Peoria disregarding that scale, and instead of charging 25 cents on corn from Beardstown, say they put in rates in compliance with the interstate commerce law of suppose 20 cents. In other words, they refuse to abide by the scale. Being an interested party controlling about 2,500 miles of road in the State of Nebraska, grain was being taken from us by lines leading to Beardstown, etc., at this reduced rate. We appealed in vain to lines running into Chicago to meet this reduction. We said, "Either bring the lines south of here to an observance of the scale or come down yourselves—give us an outlet here. We have no roads reaching these southern outlets. Our outlet is solely by way of Chicago." They failed to bring these lines south of here to an observance of the scale and declined to reduce their own rates.

I think it can be shown very plainly why they did not reduce the rate from here. Their situation was entirely different, as it will be noticed, from these lines reaching the seaboard from Peoria and Beardstown. There is always a very large volume of traffic in Chicago. The elevators contain more or less grain, and the large manufacturing interests of various sorts constantly afford a large volume of business. These points south of here are nothing but junction points. Peoria has some little traffic it may call its own, but Beardstown is nothing but a crossing. The Chicago lines failed to get the southern lines to meet this situation, because under the interstate-commerce act they would be compelled to reduce their rates on a large volume of every-day traffic here if they reduced their rate on corn.

I see why they were loth to do it. They said to themselves, "We had better lose this traffic from Nebraska rather than reduce our rates on the whole volume of business." But we did effect an arrangement with some of the lines for billing this property at a point between Chicago and the Mississippi River at a rate which was equivalent to the rate from Beardstown, billing our freight up to this point. The point was just this side of the Mississippi River. My impression is that it was Sterling. They gave us exactly the same rate from that point to the seaboard as was made from Beardstown, and we took it and arranged with them for proportions between Chicago and that point, and tacked on our rate from Nebraska to hold our business.

The CHAIRMAN. You did it, did you?

Mr. WICKER. And we did it as a measure of self-defense. Now those are the facts.

I will submit data hereafter showing what the figures were in reference to this traffic.

The CHAIRMAN. Are you the traffic manager of the whole system?

Mr. WICKER. No, sir.

The CHAIRMAN. How far does your jurisdiction extend?

Mr. WICKER. From here to the Missouri River, Council Bluffs.

The CHAIRMAN. You have nothing to do with the traffic from here here to St. Paul and Minneapolis?

Mr. WICKER. On westward bound, yes, sir.

The CHAIRMAN. But not eastward?

Mr. WICKER. On eastward bound the rate-making power on our line remains with the Chicago, St. Paul, Minneapolis and Omaha road.

The CHAIRMAN. Are you in charge of the traffic between here and St. Paul, or between here and Sioux City; or have you a line to Sioux City?

Mr. WICKER. Yes, sir, we have a line to Sioux City.

The CHAIRMAN. It is stated that you send goods around from Chicago to St. Paul and then down to Sioux City at as low, if not lower, rate than you send the same through directly from here to Sioux City.

Mr. WICKER. I presume it is possible that with the extremely low commodity rates, so called, put in force on the 5th of July from Chicago to St. Paul, on certain freight in car-load lots as against Lake Superior and Canadian Pacific competition, you would find some articles in that list which, with the current rate added from Chicago to Sioux City, would amount to less than by the direct line. This fact exists, if at all, by combination of rates.

The CHAIRMAN. What is the distance from here to St. Paul?

Mr. WICKER. Four hundred miles.

The CHAIRMAN. What is the distance from St. Paul to Sioux City?

Mr. WICKER. I think it is 270 miles.

The CHAIRMAN. What is the distance from here to Sioux City?

Mr. WICKER. Five hundred and thirty-six miles, I think.

The CHAIRMAN. Making a difference in the route around of 150 miles perhaps?

Mr. WICKER. By roads which we own or control, yes, sir. The other lines are very much longer to St. Paul than ours.

The CHAIRMAN. Still you send goods around cheaper than you send them across. What is the explanation of that?

Mr. WICKER. It is not done by any published tariff from Chicago via St. Paul to Sioux City. It can only be done by a combination of rates. I do not know that that can be done, but it would not surprise me if you should find some commodities where it could be done.

THE COMPETITION OF CANADIAN RAILROADS.

The CHAIRMAN. Have you had sufficient experience in traffic management between Chicago and St. Paul and the East to enable you to express an opinion on the question of whether Canadian lines have any advantage over or interfere with your shipments to any very large extent?

Mr. WICKER. I think they have a decided advantage over American railways.

The CHAIRMAN. Why?

Mr. WICKER. Because they are not restricted in their charges as to intermediate or local traffic.

The CHAIRMAN. In their own country?

Mr. WICKER. In their own country. They may be able to recoup themselves partially for any supposed loss on through traffic.

The CHAIRMAN. Have you any evidence that they do?

Mr. WICKER. I have not the facts.

The CHAIRMAN. Does the interstate commerce act embarrass you in any competition with them?

Mr. WICKER. It has done so heretofore.

The CHAIRMAN. In what way?

Mr. WICKER. In the competition between the Canadian Pacific working via Sault Ste. Marie and what is called the "Soo" line.

The CHAIRMAN. Why does the law embarrass you?

Mr. WICKER. In making the low rates from the sea-board through, in connection with these lines and routes with lines via Chicago, working in connection with eastern lines, we are not to-day meeting them, although arrangements are on foot to meet them. A committee has been appointed to confer with the trunk-lines to meet that competition in some way.

The CHAIRMAN. If the American roads are at a disadvantage on account of the interstate commerce act in competition with Canadian roads, do you think there ought to be anything done to change the situation?

Mr. WICKER. I think that they should be put on an equality and be subject to the same restrictions that American lines are subject to, and if it is not possible to do that my opinion is that that fact alone would create conditions which would be dissimilar, and that the American lines should be relieved from the operation of the provisions of the fourth section of the act in their competition with these foreign lines.

The CHAIRMAN. Is there anything in the law that you think interferes with your competing with the Canadian roads, excepting the fourth section?

Mr. WICKER. No, sir; I know of nothing more than that they have absolute control, as we understand it, over their local rates, aside from the fact that the Canadian Pacific is a subsidized road. I do not see that the Grand Trunk would have any advantage in that respect. The Canadian Pacific is a semi-official road, as I understand it.

THE TRUNK LINE ASSOCIATION.

Senator HISCOCK. Tell me what the Trunk Line Association is?

Mr. WICKER. The Trunk Line Association, as I understand it to be, is an association of railways in the East, reaching from tide-water, connecting with their western termini, ranging from Huntington to Niagara Falls, Suspension Bridge, and Toronto, organized for the purpose mainly of securing information in the establishment of rates and classification of freight. Their compilation of statistics is merely incidental, and is simply made that they may have a knowledge of what each other road is doing.

Senator HISCOCK. Is the Grand Trunk in it?

Mr. WICKER. I so understand it.

Senator HISCOCK. You understand that the association covers all the trunk-lines. Now what is the Central Traffic Association?

Mr. WICKER. It is composed of lines commencing at the western termini of the lines in the Trunk Line Association.

Senator HISCOCK. What is the Interstate Commerce Railway Association?

Mr. WICKER. The Interstate Commerce Railway Association is an association of lines westward from Chicago, formed for similar purposes. The Trans-Continental is an association formed of lines west of the Missouri River, reaching the Pacific coast. They are all formed for substantially the same purpose.

Senator HISCOCK. Are they separate organizations or are they made up of representatives of these several organizations which are in them?

Mr. WICKER. The Trunk Line Association and the Central Traffic Association are made up of individual lines. The Interstate Commerce Railway Association is composed of two or three or more auxiliary associations. It took them in.

STATEMENT OF N. G. IGLEHART.

Mr. N. G. IGLEHART, commissioner of the Chicago Freight Bureau, appeared.

The CHAIRMAN. What is your position, Mr. Iglehart?

Mr. IGLEHART. I am commissioner of the Chicago Freight Bureau.

The CHAIRMAN. Will you and your representative men formulate your views in respone to the resolution of the Senate under which we are acting and forward the same to me?

Mr. IGLEHART. I shall be glad to do so, and I will endeavor to see them and have them formulate their views.

The CHAIRMAN. If that is satisfactory to them as well as to you, it will answer the purpose. As those other gentlemen are not present we will not request them to be heard in person.

Mr. IGLEHART. All right, sir.

ADDITIONAL STATEMENT OF H. C. WICKER.

Mr. WICKER. On the question of recognizing pooling, while I regard that as somewhat different from the question of the continuation of these associations, I think it is apparent that if the doings of these associations were subject to the Interstate Commerce Commission, and the Commission had supervision over them, the state of things that I cited here would not have occurred.

The CHAIRMAN. Your judgment is that if contracts or arrangements are made between railroads they should be subject to the Interstate Commerce Commission, to be approved or disapproved as in their judgment is proper?

Mr. WICKER. Yes, sir; and the Commission to have power to enforce them.

The CHAIRMAN. I have received several communications in the form of statements from various individuals bearing on the subject of our investigation, and will insert them in the record at this point.

The statements are as follows:

STATEMENT OF ADLACE F. WALKER.

Mr. ADLACE F. WALKER, chairman of the Interstate Commerce Railway Association, submitted the following statement:

I have not sufficiently studied the subject of legislation desirable in view of the participation in our interstate commerce by Canadian lines to enable me to feel that I could be of much assistance to the committee. The question is too wide and important to be treated hastily. I shall be pleased, however, at any time to answer all inquiries that you may desire to make in respect to matters of fact within my knowledge.

In respect to the questions contained in your circular letter, I would say:

That, in my opinion, the Canadian lines of transportation operating in the United States affect the commercial (or business) interests of certain parts of this country favorably; especially New England and some other sections immediately contiguous to the border. As a quite natural corollary they affect business interests in other parts of the country to some extent unfavorably. Circumstances which add to the advantages of competing centers of trade in one locality naturally do so more or less at the expense of rival communities elsewhere. For example, there can be no doubt that the Grand Trunk Railway and the Canada Southern have been large factors in the development of Chicago; it is also quite probable that the influence of these transportation routes has diverted traffic to some extent from St. Louis and some other western cities to the Chicago gateway; and again, the usefulness of the Canadian roads above mentioned to the merchants and traders of Chicago may fairly be offset by the injury done to that city as a distributing point through the opening of the "Soo" line to Minneapolis and St. Paul, that route operating with the Canadian Pacific to the Atlantic seaboard, now making rates which very largely assist the merchants of the "twin cities" at the expense of their Chicago rivals; it is likewise undoubtedly true that the competition of the Grand Trunk has materially aided in bringing about the exceptionally low long-distance rates which have prevailed for the past few years upon commodities transported in both directions between the Western and Northwestern States and the Eastern seaboard; these rates have very largely

promoted the development of many States and Territories in the West, but in order to afford this result the interests of the agricultural communities at intermediate localities, and to some extent in New England, even, have correspondingly suffered.

These illustrations, which might be multiplied indefinitely, indicate some of the ways in which the Canadian lines affect commercial interests in the United States; and the extent of their influence is undoubtedly very considerable. Whether the result obtained has on the whole been more favorable than otherwise, is not for me to say. In fact it hardly seems worth while to adjust the balance; the Canadian railroads are in existence; commercial conditions have become firmly settled in their use, and they are rapidly working their way in other directions. It is obvious that their relations to interstate commerce in the United States can by no possibility be entirely eradicated.

Traffic originating in the United States is carried over Canadian lines, to a quite large extent, to other points in the Union. Whether this is a traffic which would "naturally" be carried over American lines depends upon the meaning of the word employed by the committee. Some of the Canadian routes geographically are perfectly natural routes; those, for example, from Detroit to Buffalo, across the Province of Ontario; even the line of the Canadian Pacific from Sault Ste. Marie to its various eastern connections in the United States is a reasonably direct route. Nevertheless, in these cases, if the Canadian lines were not available for the service, it would be practicable for the traffic to be carried by lines wholly within the territory of the United States; and in other cases, for example from San Francisco via the Canadian Pacific to Chicago and the East, considerable traffic is carried over a route which by courtesy only can be called a natural channel.

In reference to the inquiry for proposals for additional legislation, I am not one of those who consider a modification of the short-haul provision, so called, of the interstate commerce law important by reason of any fact connected with Canadian competition, for the reason that where Canadian competition exists I do not regard the short-haul provision as applicable. On the contrary, to my apprehension the fact of competition of Canadian lines which are not subject to the regulation of the act appears to constitute a conspicuous example of that diversity of circumstances and conditions which excepts traffic upon American lines from the application of the rule. This I understand to have been the practical construction given to the short-haul clause hitherto. So long as competition by the Canadian Pacific was active, that is, during the whole of the year 1887, no attempt was made to enforce the section in respect to the competing traffic of the transcontinental lines. This situation led to an agreement with the Canadian Pacific for an advance of the through transcontinental rates in February, 1888; in the adjustment the Canadian road was allowed a differential or a somewhat lower rate than the American lines to points on and east of the Mississippi River.

To Missouri River points it received no differential, and practically retired from such traffic. Afterwards the Commission ruled that the rate from San Francisco to Denver could not properly exceed the rate from San Francisco to Kansas City. If at the present time, a fact concerning which I know nothing, an unreasonable amount of tonnage moves from the Pacific coast to points east of the Mississippi, over the Canadian Pacific line, it would indicate that the agreed differentials are too high; and if the transcontinental lines desire to meet the rates of

the Canadian Pacific to or from such points, it is my understanding that the fourth section of the law does not constitute an obstacle to their doing so. In like manner, if the lines between the Atlantic seaboard and St. Paul via Chicago desire to meet the rates established by the Canadian Pacific between the same points, as I understand the matter they are quite at liberty to do so without regard to the fact that intermediate rates may be higher. For this reason I do not think that any new legislation in respect to the fourth section is necessary. If my construction of the statute is erroneous, the principle stated should certainly be incorporated in the law.

In certain other respects the law as it stands is absolute upon the American lines, while the restrictions imposed are either not applicable to the Canadian lines or are so difficult of enforcement as to be practically nugatory. This is the case in regard to the provisions forbidding the obtaining of traffic by rebates or other forms of concession to favored shippers; the manipulation of rates; and all the devices by which carriers have been accustomed to secure competitive business from each other by the use of considerations in money, favor, or advantage. These facilities are practically still open to the lines which operate in Canada, as to portions of their routes, the results of which largely influence the aggregate revenues; and in other ways the law bears with less rigor upon the lines in Canada than upon those on this side the border, in their competition for similar traffic.

In view of these features of the case, it apparently would not be unjust for our Government to require from Canadian lines which are employed in conducting commerce between the different States of the Union an engagement with the United States Government in some effectual form, and, if necessary, under the sanction of a treaty, providing that the entire traffic of the roads composing the several routes so used shall be conducted in accordance with all the provisions of the act to regulate commerce, adding suitable arrangements for the service of process and the enforcement and collection of penalties. In other words, all that is required would seem to be some provision which should put the Canadian roads upon an exact parity with our own; that being accomplished our roads can safely be left to fight their own battles, and those communities which find the Canadian roads of use commercially can continue to enjoy the facilities which they afford.

STATEMENT OF E. P. RIPLEY.

Mr. E. P. RIPLEY, general manager of the Chicago, Burlington and Quincy Railroad, submitted the following statement:

In reply to questions propounded I would answer as follows:

Question 1. Do Canadian lines of transportation operated in the United States affect the commercial interests of this country favorably or unfavorably?

Answer. Probably the effect is, as a whole, favorable, in so far as commerce is favorably affected by having open to it as many channels of communication as possible. The northern portion of the United States is so situated that the Canadian lines, both water and rail, offer a short and expeditious method of transportation to a considerable portion of New England, northern New York, and Canada. So that probably the commercial interests of the country, taken as a whole, are favorably affected by the existence of these Canadian lines rather than unfavorably. The exception to this is the railroad interest, which is, of course, injuriously affected, especially as regards certain lines.

Question 2. In what manner do they affect such interests, and to what extent?

Answer. This question is partially answered in the answer to the previous question. The amount of transportation done by Canadian lines between points in the United States is very large. The amount done by Canadian lines from points in the United States to points in Canada is also large, and it can not be held that injury is done to any interest except to United States railroads, who are deprived of a considerable portion of the carrying trade by the Canadian lines.

Question 3. Is traffic originating in the United States, and which would naturally be carried over American lines, diverted from them to Canadian lines; and, if so, to what extent and by what means?

Answer. Unquestionably a large amount of traffic originating in the United States and destined to other points in the United States is diverted from American lines to Canadian lines. The precise extent of this I am unable to state, nor can I state what means are employed to effect this result, except that, as is doubtless well known to your committee, there have been times when rates by the Canadian lines have been lower than by United States roads.

Question 4. Do you consider any additional legislation expedient or desirable for the regulation of commerce carried on by railroad or water routes between the United States and Canada? If so, what measures would you suggest?

Answer. I am unable to suggest any legislation which would have the effect of regulating commerce carried on by railroad or water routes between the United States and Canada, unless the carriage of American freight by Canadian lines be prohibited, which I am not prepared to recommend. I am unable, at this writing, to see what effective additional legislation can be introduced in this country which would, at the same time, preserve to our Northern States the benefit of Canadian competition and do justice to our own railroads engaged in competition with these Canadian lines.

Question 5. Is any legislation necessary, with respect to the operation of Canadian lines of transportation, in order to promote the enforcement of the interstate commerce act? If so, what would you suggest?

Answer. As before stated, I am unable to see how the United States can legislate in regard to Canadian railroads or lines of water transportation, except in the way of throwing about them restrictions which would in all probability have the effect of making them less desirable to the people of the United States as competitors for the carrying trade in which this country is rightly interested. At the same time it is undeniable that a very great injustice is at present being done to the American lines; in fact, the latter are tied up by the interstate commerce act, and are unable freely to meet the competition of their Canadian rivals. Especially is this the case in view of the enforcement of the so-called long and short haul clause of the interstate commerce act, under which the American lines are precluded from entering into competition with Canadian roads, except at the expense of heavy reductions in rates to intermediate stations, which stations are in nowise affected by the Canadian competition, while Canadian roads, on the other hand, are subject to no such regulation and can make abnormally low rates from one point in the United States to another point in the United States without interfering either with their local Canadian business or with their business from points in Canada to points in the United States.

It seems to me clear enough that the right to regulate affairs of railroad corporations should and does carry with it the duty to protect them, but the present national policy seems to be to protect everything but the railroads.

At present, foreign railroad corporations have more privileges in the United States than our own corporations have, because the latter are burdened with restrictive and ill-advised legislation.

I can see no remedy for the existing state of things, except suspension of the long and short haul clause of the interstate commerce law, or the repeal of the law as a whole. I favor repeal of the law, because it has failed wholly to benefit any considerable class of the community, while it has in many cases been disastrous to railroad interests; and this not so much because of the features of the law itself as because many of the State governments have sought to nullify the effect of the national law, which sought to wipe out distinctions between classes and localities by class legislation, which should preserve the advantages previously enjoyed.

STATEMENT OF GUSTAVUS F. SWIFT.

MR. GUSTAVUS F. SWIFT, president of Swift & Co., slaughterers and shippers of beef, mutton, and pork, submitted the following statement:

My name is Gustavus F. Swift; resident of Chicago for past fourteen years, and president of Swift & Co., slaughterers and shippers of dressed beef, mutton, and pork, and have been in said business, either as a firm or corporation, since November, 1878.

The average shipments of dressed meats east from Chicago by our company are more than 400 cars per week, and for the past ten years our company has had large transactions with the Grand Trunk Railway of Canada, and while the dressed-meat industry of Chicago has, from many of the trunk lines, been persecuted and subjected to unjust discrimination in the matter of freight rates, it has, from the Grand Trunk Railway of Canada, generally received fair treatment.

I inclose you circular No. 666, from joint executive committee, issued by Albert Fink, chairman, December 11, 1884. You will please notice the last paragraph, which reads as follows:

> It was also agreed that when different classes of meats were loaded in same car, the highest rate shall apply to the entire car-load.

Also inclosed please find joint tariff No. 17, from Chicago, quoting dressed beef in car loads of 20,000 pounds, New York or Boston, 70 cents; dressed hogs when loaded in refrigerator cars, New York, 55 cents; Boston, 60 cents; dressed sheep in refrigerator cars, New York, 90 cents; Boston, $1; dressed sheep in refrigerator cars, whether loaded with other meat or not, minimum weight, 20,000 pounds; by which you will readily see were we to load in refrigerator car 12,500 pounds dressed beef, 7,300 pounds dressed hogs, and 200 pounds dressed sheep, consigned to Boston, that, though the rate for 20,000 pounds of dressed beef would be $140, or for 20,000 pounds of dressed hogs, $120, the freight on the one car-load of dressed beef, dressed hogs, and dressed sheep (20,000 pounds) to Boston would be $200, thus virtually prohibiting Chicago parties in the dressed-meat business supplying their Eastern branch houses with assortments of dressed meats.

This move was not supported by the Grand Trunk Railway system of Canada, and a vigorous protest was made by our Live Stock Exchange, a copy of which I herewith inclose, and the joint executive com-

mittee finding the move so unpopular, afterward abandoned the position that when different classes of meats are loaded in the same car, the highest rate shall apply to the entire car-load, and allowed each class of meat to bear its respective rate.

It was, however, their rule to charge a much higher rate on dressed sheep than on dressed beef, even though loaded in the same car, which rule, on account of the strong protest of shippers, and aided by sympathy from the Grand Trunk Railway system of Canada, was abandoned some time in 1887.

I am pleased to say that the Grand Trunk Railway system of Canada was the first and best champion the dressed-meat trade has ever had, and except for the sympathy and protection of the Grand Trunk Railway system of Canada the Western dressed beef business would to-day, in my opinion, be in its infancy.

I think not only the New England States have received great benefits from the Grand Trunk Railway system, but the Western States have also shared its benefits.

CIRCULAR NO. 666—JOINT EXECUTIVE COMMITTEE.

OFFICE OF THE CHAIRMAN,
346 *Broadway, New York, December* 11, 1884.

RATES ON DRESSED HOGS AND DRESSED SHEEP.

At a meeting of the Standing Committee held this day the following recommendation of the East-bound Classification Committee was adopted, to take effect Monday, December 15, 1884:

Dressed hogs, in common cars, C. L., 5th class.

Dressed hogs, in common cars, L. C. L., 2d class.

Dressed hogs, in refrigerator cars, C. L., 5 cents per hundred pounds above rate in common cars.

Dressed hogs, when loaded with dressed beef and forming part of a car-load, same as dressed beef.

It was also agreed that, taking effect same date, the rates on dressed sheep will be on the following basis:

Chicago to New York.

Dressed sheep, in common cars, 85 cents per 100 pounds.

Dressed sheep, in refrigerator cars, whether loaded with other meats or not, C. L., minimum weight 20,000 pounds, 90 cents per 100 pounds.

The rates on dressed sheep from Buffalo, Pittsburgh, etc., to New York, in common cars, will be 42½ cents, and in refrigerator cars, C. L., 47½ cents per 100 pounds.

It was also agreed that when different classes of meats are loaded in same car the highest rate shall apply to the entire car-load.

ALBERT FINK,
Chairman.

C. W. BULLEN,
Secretary.

No. 17.—*Joint rates of transportation from Chicago, taking effect December* 15, 1884.

[Subject to official classification of eastward bound freight, and rules and regulations as printed in bills of lading of the respective railway lines. Particular attention is called to articles taking special rates.]

Class and quantity.	Rates from Chicago to—					
	New York.	Boston.	Philadelphia.	Baltimore and Washington.	Albany, Troy, and Schenectady.	Buffalo; Pittsburgh and Allegheny; Bellaire, Ohio; Wheeling, W. Va; Suspension Bridge; Salamanca; Black Rock; Dunkirk; Erie; Toronto.
First class, per 100 pounds	$1.00	$1.10	$0.98	$0.97	$0.90	$0.55
Second class, per 100 pounds	.85	.95	.83	.82	.75	.47½
Third class, per 100 pounds	.70	.75	.68	.67	.65	.37½
Fourth class, per 100 pounds	.60	.65	.58	.57	.55	.32½
Fifth class, per 100 pounds	.50	.55	.48	.47	.45	.27½
Sixth class, per 100 pounds	.45	.50	.43	.42	.40	.25
Seventh class, per 100 pounds	.30	.35	.28	.27	.28	.17½
Eighth class, per 100 pounds	.25	.30	.23	.22	.24	.15
Ninth class, per 100 pounds	.35	.40	.33	.32	.32	.20
Tenth class, per 100 pounds	.32	.37	.30	.29	.29	.18½
Dressed beef, in car loads [illegible]00 pounds, per 100 pounds	.70*	.70	.66½	.64½	.56	.39½
Ale, beer, porter, in glass, O. R. C. L., and same in wood, C. L. O. R. freezing, leakage, and fermenting, per 100 pounds	.35	.40	.33	.32	.32	.20
Tobacco, unmanufactured, and tobacco stems, in hogsheads or cases, per 100 pounds	.27½	.32½	.25½	.24½	.26	.16
Staves, heading, hoop-poles, shooks, hoops, [illegible], or rough undressed stone, in car loads†	.30	.35	.28	.27	.28	.17½
Special‡	.20	.25	.18	.17	.20	.12½
Highwines, whisky, alcohol, and domestic spirits, C. L. of 24,000 pounds, $20 valuation, O. R. leakage, per 100 pounds	.35	.40	.33	.32	.32	.20
Dressed hogs, when loaded in common cars, car loads	.50	.55	.48	.47	.45	.27½
Dressed hogs, less than car loads	.85	.95	.83	.82	.75	.47½
Dressed hogs, when loaded in refrigerator cars, car loads	.55	.60	.53	.52	.50	.30
Dressed sheep, when loaded in common cars, any quantity	.85	.95	.83	.82	.75	.47½
Dressed sheep, in refrigerator cars, whether loaded with other meats or not, minimum weight, 20,000 pounds	.90	1.00	.88	.87	.80	.50

* Denotes change since last issue.

† For conditions applying to lumber, staves, stone, etc., see lumber tariff No. 29.

‡ The following articles must take rates as quoted in special-rate column: Silver, lead, antimony, or copper ore; calamine; copper residue; copper matte, ingots, cakes, slabs or pigs, base bullion—value not to exceed $100 per net ton; pig lead, car loads. See classification.

Special attention is called to the ruling of the trunk line standing committee "that when different classes of meats are loaded in the same car, the highest rate shall apply to the entire car load."

The change in the basis of Albany rates on seventh and ninth classes is made as per instructions contained in Commissioner Fink's circulars, Nos. 597 of March 27, and 617 of June 17, 1884.

A. P. Bigelow, General Agent, Baltimore and Ohio R. R.
A. S. Crane, General Freight Agent, Chicago and Atlantic Ry.
Geo. B. Reeve, Traffic Manager, Chicago and Grand Trunk Ry.
D. T. McCabe, General Western Freight Agent, Chicago, St. Louis and Pittsburgh R. R.
C. M. Gray, Assistant General Freight Agent, Lake Shore and Michigan Southern Ry.
A. Mackay, General Freight Agent, Michigan Central R. R.
N. A. Skinner, Commercial Agent, New York, Chicago and St. Louis Ry.
Wm. Borner, General Western Freight Agent, Pennsylvania Company.

THOS. C. MOORE,
Joint Agent.

CHICAGO, *December* 15, 1884.

EXTRACT.

[From the Chicago Times, December 16, 1884.]

SHIPPERS' PROTEST.

The Live-stock Exchange declares that the new east-bound rates are unjust.

The Live-stock Exchange held a meeting in the town of Lake yesterday, and after the discussion of various minor matters, the following resolutions were reported and adopted:

Whereas the east-bound pool of railroads running from Chicago to the seaboard have adopted a new tariff on dressed meats, the same to take effect this day (December 15); and,

Whereas, by the provisions of said tariff, rates are made as follows from Chicago: Dressed hogs, in common cars, car-load lots, 50 cents per 100 pounds to New York and 55 cents per 100 pounds to Boston; dressed hogs, in common cars, less than car-load lots, 85 cents per 100 pounds to New York, 95 cents per 100 pounds to Boston; dressed hogs, in refrigerator cars, car-load lots, 55 cents per 100 pounds to New York, 60 cents per 100 pounds to Boston; dressed sheep, in common cars, any quantity, 85 cents per 100 pounds to New York, 95 cents per 100 pounds to Boston; dressed sheep, in refrigerator cars, alone or with other meats, 90 cents per 100 pounds to New York, $1 per 100 pounds to Boston; and,

Whereas, said tariff provides that when different classes of meats are loaded in the same car the highest rate shall apply to the entire car load, thus compelling a car load of dressed beef which contains even one or more dressed sheep to pay the sheep rate of 90 cents per 100 pounds to New York, and $1 per 100 pounds to Boston, while the rate which the railroads exact for dressed beef is only 70 cents per 100 pounds to either Boston or New York, and thus, also, compelling one or more dressed hogs loaded in the car with dressed beef to pay the dressed-beef rate of 70 cents per 100 pounds, while the railroad companies' rate on dressed hogs is only 55 cents to New York, or 60 cents to Boston, per 100 pounds; be it, therefore—

Resolved, That we consider the rates on dressed hogs and sheep, as fixed by the aforesaid tariff, as excessive, as exorbitant, and calculated to injure the business of this market.

Resolved, That we hereby most emphatically protest against such action by the railroad companies, and we hereby respectfully ask that they reconsider said tariff and make instead such rates as will not so clearly and unjustly discriminate against this market, and against the live-stock interests of the West.

Resolved, That a copy of these resolutions be forwarded to the managers of each of the railroads running east from Chicago.

Signed by S. E. Wood, chairman; E. R. Price, Thomas Brown, Jr., J. M. Robinson, and B. Hancock.

The CHAIRMAN. If there is no gentleman present who desires to be heard the committee will adjourn.

At 1 o'clock and fifteen minutes p. m. the committee adjourned.

The following statement from Mr. Joseph Nimmo, jr., was submitted at the request of the committee:

STATEMENT OF JOSEPH NIMMO, Jr.

By way of introduction to this large and complex subject, I would invite the attention of the committee to the important fact that the Canadian Government differs radically from the Government of the United States with respect to its relation to the subject of transportation and commerce. For the last fifty years the Canadian Government has been closely allied to the transportation interests of Canada, and that Government is to-day not only a large owner of canals and railroads, but it also exercises a control over the operations of its transportation lines, with respect not only to commercial but to political objects.

On the other hand, the Government of the United States, as you are well aware, has confined itself almost entirely to the regulation of railroads, and has never become an owner or practical manager of the subject of transportation, leaving those matters to the interaction of commercial forces. A proper appreciation of this distinction, is, in my opinion, vital to a correct understanding of the whole subject of the relations of Canada to the United States. And now I will proceed to state to you in a general way the interests which the Canadian Government has in transportation.

CANADA'S INTEREST IN TRANSPORTATION.

About the time when the State of New York embarked in the work of constructing the Erie Canal, the Dominion of Canada began the construction of its system of canals connecting Lake Erie with ocean navigation at the port of Montreal. This was accomplished by the construction of the Welland Canal, which overcomes the fall between Lake Erie and Lake Ontario; and the system of St. Lawrence River canals which overcomes the rapids in the St. Lawrence River between Kingston and Montreal.

I will also remark here that from the beginning the Dominion of Canada and Great Britain have had direct interest in transportation lines with reference to military objects. While the systems of canals of which I have just spoken were being constructed, an interior line of navigation, known as the Ottawa and Rideau canal system, was constructed between Montreal and Kingston, mainly for military purposes, as the St. Lawrence Canal was too much exposed to an attack from the United States.

The canal system of Canada cost a little over $52,000,000, and it is still owned and operated by the Dominion Government. As we follow the history of Canada we shall discover the fact that her Government is as much a commercial and transportation corporationas a political corporation.

That is an important fact and one which muet be kept in mind all the way through. In my opinion it is the most important characteristic of the Dominion Government, in so far as relates to the question of the relations of Canada to the United States.

CANADA'S INTEREST IN RAILROADS.

I will next mention to you the interests which Canada has in railroads.

Up to the year 1867 the several British North American provinces were entirely independent of each other. The political bond be-

tween them was their common relations to the British Government. During the civil war in this country the question of the political union of these provinces and the project of connecting them by government railroads was agitated both in Canada and in Great Britain, and in so far as I have been able to comprehend the subject, it has seemed to me to be part and parcel of the general spirit of opposition which at that critical period was manifested by Great Britain and Canada toward the maintenance of the Union of the States.

By an act of the British Parliament of March 29, 1867, known as the British North American act, the several colonies, excepting Newfoundland and Prince Edward Island, became united as the Dominion of Canada. One of the conditions under which this union was effected was that a railroad should be built by the Dominion Government connecting the provinces of Ontario, Quebec, Nova Scotia, and New Brunswick. This road was accordingly built by the government. Its main line extends from Point Levis, opposite Quebec, to Halifax. It pursues quite a circuitous route. The cost of the intercolonial railway system was about $46,000,000. That system is still owned and operated by the Dominion Government. Commercially it is a non-paying enterprise.

According to the report for the latest year the cost of operating the system was $232,106 in excess of the receipts.

THE CANADIAN PACIFIC RAILWAY.

But the most important railroad enterprise in which the Dominion Government is interested is the Canadian Pacific. The scheme of constructing a Canadian railroad across the continent is said to have been first suggested thirty or forty years ago, but it did not assume a practical shape until during our civil war. The definite plans for construction were finally determined upon about the year 1867, the year in which the Dominion Government was inaugurated. The date of the inauguration of that Government was July 1, 1867. That day is celebrated every year in Canada as "Dominion Day."

The construction of the Canadian Pacific Railroad is so closely identified with the present administration of government affairs in Canada that I will turn aside here to make a general statement to the committee in regard to that government.

CONSTRUCTION OF THE CANADIAN PACIFIC RAILWAY.

Sir John A. Macdonald, the present Premier of Canada, was the political leader of the plan of confederation, which embraced not only the political union of the provinces, but their commercial union, by means of railroad construction. As before remarked, one of the fundamental principles of this scheme was the construction of the Intercolonial Railway. The other was the construction of the Canadian Pacific Railway. The Macdonald party saw that the natural affinities of trade of all the colonies were with the United States. This they resolved to overcome by means of railway construction, and thus to hold the provinces in their allegiance to Great Britain.

Sir John Macdonald's party assumed control of the affairs of the Dominion at the time of the inauguration of that government, July 1, 1867. The Canadian Pacific Railway was soon afterwards begun as a government road, but in the course of a few years difficulties arose, and in consequence of a public scandal concerning the financial management of the enterprise, Sir John Macdonald was driven from power in 1873.

But in 1878 he triumphantly returned to power upon the original issue of constructing the Canadian Pacific Railway, and his party has remained in power ever since.

In consequence of public prejudice which had arisen in connection with the attempt of the government to construct the road, its construction was assigned to a private corporation, the Canadian Pacific Railway Company, which corporation in all things touching questions of commercial and political policy has been and still is the *alter ego* of the Dominion Government. All that had been done in the way of construction of the road was at once turned over to the Canadian Pacific Railway Company as a gift. The portions of the completed line, which had cost $35,000,000, were thus donated to the Canadian Pacific.

The total value of aids of various sorts extended to the Canadian Pacific by the Dominion Government is stated in the following table:

Revised estimate of gifts from the Dominion Government to the Canadian Pacific Railway Company, and securities which that company has been enabled to float (stock and bonds) as the result of the Dominion guaranty and the land grant of 25,000,000 acres of land.

(1) Cash subsides as follows:	
(a) Subsidy of $25,000,000 mentioned in section 3 of act of February 13, 1881.	
(b) 714 miles of railroad constructed by the Dominion Government, costing $35,000,000, which was presented to the Canadian Pacific Company as a gift, with interest, to June 30, 1887 (see public accounts of Canada for 1867)	$61,760,785
(2) Capital stock originally $100,000,000, but reduced to $65,000,000, with a minimum dividend of 3 per cent. guarantied for ten years (see Poor's Manual)	65,000,000
(3) During the session of Parliament of 1884, the Dominion Government authorized a loan to the company of $29,880,912, to be paid as the work of construction progressed, and for the purpose of expediting construction. This consisted of $9,880,912 secured by lien on the entire road and land grant, subject to the then outstanding land-grant bonds; also Government bonds to the amount of $20,000,000, which was exchanged for a like amount of the company's loan of $35,000,000, which had been issued in the place of the $35,000,000 of original stock which had been retired (see sec. 4, act 20th July, 1885)	29,880,912
(4) Balance of $35,000,000 loan after deducting $20,000,000 placed in the hands of the Government in order to secure the $20,000,000 bonds above mentioned	15,000,000
(5) Land-grant bonds issued by the company as a lien upon the lands which it acquired by gift of the Dominion	25,000,000
(6) Bonds, interest guarantied by the Dominion for fifty years at 3½ per cent. issued to the company for the purpose of remunerating it for the loss of its relinquishment of the monopoly of railroad building in Manitoba	15,000,000
(7) Subsidy of $186,000 a year for twenty years for a line through the State of Maine	3,720,000
Total	215,361,697

Of this sum about $105,000,000 may be classed as cash and gifts available as cash, and $110,000,000 as guaranties of securities.

According to the balance sheet of the company for December, 1888, the total cost of the road, and its equipment, plant, materials, and supplies was $167,093,895. The total stock, bonded debt, and current liabilities of the company on the same day, amounted to $131,350,019. From this it appears that the various aids received from the Government at their par value were $48,267,802 in excess of the cost of the road, and $84,011,678 in excess of its liabilities.

DOMINION AIDS TO THE CANADIAN PACIFIC RAILWAY.

In order to give you a clear idea of the interest which the Canadian Government has in the Canadian Pacific as a commercial and political enterprise, I have prepared for you the following schedule of gifts, guaranties, exemptions, concessions, and franchises granted to the company by the Dominion Government:

(*a*) Direct gifts of money, land grant, and other privileges which have become available as cash assets in the processes of funding, as before stated $105,000,000

(*b*) Bonds and stock guaranteed by the Dominion Government as before stated 110,000,000

(*c*) Exemption from taxation for all time. As the taxes on both the Union Pacific and Southern Pacific Companies exceed $1,000,000 a year (see Poor's Manual), I assume that the Canadian Pacific taxes remitted would amount to at least $600,000 a year.

(*d*) Remission of duties on rails and all imported material, amounting to at least $7,000,000

(*e*) Protection against the construction of competing lines for twenty years, the value of which concession can not be accurately estimated. To an American line such a concession would constitute a guaranty of a fair rate of interest on the cost of the road.

(*f*) The Dominion Government has granted an annual subsidy of $186,000 to the portion of the line of the Canadian Pacific Railway which extends across the State of Maine. The obvious effect of this line would be to divert American and Canadian commerce from Boston and Portland, Me.

COST OF CANALS AND RAILWAYS.

In the construction of her canals and railways, Canada has expended in cash over $200,000,000, and granted exemptions and franchises which undoubtedly swell the total value of governmental aid to nearly $300,000,000.

The intimate association of the Government of Canada with the transportation interests of the Dominion is clearly indicated by the fact that in order to secure the commercial and political union of the Provinces, by means of railroad construction, the people of Canada have submitted to a burden of debt equal, in proportion to population, to the burden of debt which was assumed by the people of the United States in order to save the Union. This burden has been willingly borne by the people, and to-day this association of political powers with the control of the transportation interests of the Dominion in such manner as to affect both political and commercial objects, is the predominating political sentiment of the Dominion.

It is my firm belief that if the present administration of governmental affairs in Canada should go out of power, by the death of Sir John Macdonald or otherwise, no political party which should attempt to reverse this political transportation policy of the Dominion could retain power for six months, so intimately has this policy become interwoven into the very fabric of government.

PUBLIC DEBT OF CANADA.

The public debt of Canada increased from $93,000,000 in 1867, the year of the confederation, to $235,107,948 on the 30th of November, 1889. This increase in the Dominion debt since the confederation has been due chiefly to the construction of the great political railroads of Canada.

When we consider our Canadian relationships we must remember

that we are dealing not only with a government but with a great system of transportation sharply competing with the commercial and transportation interests of the United States. If the Dominion of Canada were as completely separated from actual conduct of commerce and transportation as is the United States, our Canadian relationships would be purely of a political character; but the difficulty involved in the whole matter is that the United States Government in its foreign policy is ingenuously political while the Dominion Government is shrewdly commercial from the compulsion of proprietary interests and financial obligations. The fact that the ownership and control of railroads is a fundamental part of its policy makes it commercially aggressive. The very fact of its ownership of canals and railroads and its deep interest in commerce and transportation for political purposes subjects it to a sort of public responsibility of which we have no conception in this country. By virtue of these facts the Dominion Government is necessarily aggressive. The very fact that the Dominion Government has assumed responsibility for the commercial success of the country brings to bear upon it a public responsibility which compels it to have recourse to all the sharp expedients of transportation and of trade. So we see the Dominion Government doing toward the transportation lines of the United States just as one great railroad company is doing toward another.

This fact is now clearly appreciated by the Inter-State Commerce Commission. In their third annual report, just issued, referring to the Canadian railroads generally, the Commission say:

> They are practically under no restrictions imposed by their own statutes in respect to long and short haul traffic, but are at liberty to charge high rates on local business to indemnify for losses on through or international business. Their managers deny, with more or less emphasis, that their local traffic is subjected to higher rates, but when the liberty to make such charges and the necessity for it can exist the inducement, at least, is strong. The provisions of the Canadian statute or subject, are as follows:
>
> "SEC. 226. The company in fixing or regulating the tolls to be demanded and taken for the transportation of goods, shall, *except in respect to through traffic to or from the United States*, adopt and conform to any uniform classification of freight which the governor in council on the report of the minister, from time to time prescribes.
>
> "SEC. 232. No company in fixing any toll or rate shall, under like conditions and circumstances, make any unjust or partial discrimination between different localities, but no discrimination between localities, *which by reason of competition by water or railway, it is necessary to make to secure traffic*, shall be deemed to be unjust or partial."
>
> These enactments give all traffic carried in competion with our carriers unlimited freedom.

In a word, the Dominion Government in the conduct of its railroad policy is doing as railroad managers are doing everywhere. Railroad managers are engaged in a never ending fight. That is a characteristic of competition. The Canadian aggression upon American interests is therefore a natural expression of *the character of their Government.*

That fact to my mind is a very important one, and it seems to me to be the root of the whole matter. Just take the whole case in review. First, the Canadian ownership of canals, which cost $52,000,000; second, the direct ownership and management of the intercolonial system, which cost $46,000,000, and third, the interest of the Dominion Government in the Canadian Pacific Railway, which it has aided in various ways to the amount of $215,000,000. All this has really transformed the Dominion Government from a political organization into a commercial institution—an aggressive transportation system. At least that is the character it assumes towards the United States in all matters of international relationships.

A man gets himself into a certain method of doing business and he has got to follow up that line of policy in order to succeed. Just so it

is with a government. It is by a faithful adherence to this sort of policy that the present Macdonald government has become so firmly intrenched in power. It is impossible for his party to enter into any treaty agreement which would relieve it from the necessity of having recourse to all those tactical and strategetical expedients with which the great trunk lines of the country are continually competing with each other. So I favor reciprocal legislation with Canada in preference to commercial treaties, and as we hold the advantage over Canada all along the line we can dictate the detail of our Canadian relationships.

It is difficult for us in the United States to appreciate the force of public sentiment which in Canada has created a vast public debt for the construction of railways and canals and which compels the administration of the Dominion to manage those enterprises according to the dictates of apparent commercial need.

THE TRANSATLANTIC AND TRANSPACIFIC STEAMER LINES AND CONNECTIONS OF THE CANADIAN PACIFIC RAILWAY.

Upon the completion of the Canadian Pacific Railway, in the spring of 1886, a line of steamers was established between Vancouver, British Columbia, and China and Japan. Recently the preliminary steps have been taken for the establishment of a British steamer line from Vancouver to Australia and New Zealand; also for the establishment of a steamer line from St. Johns, New Brunswick, and Quebec, to Liverpool. The provisions of law for the establishment of the British lines just mentioned are embraced in the following act of the Dominion Government, passed at its late session:

AN ACT relating to ocean steamship subsidies.

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. The governor in council may grant to any individual or company a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, to assist in establishing an effective fortnightly steam-ship service between British Columbia and the Australian colonies and New Zealand, or such proportion thereof as is decided upon by the governor in council to assist in establishing a monthly service with the said countries, such subsidy to be granted for such term of years, not exceeding ten, and on such conditions as the governor in council considers expedient.

2. The governor in council may grant to any individual or company, to whom there is granted by the Government of the United Kingdom the aid hereinafter mentioned, a subsidy not exceeding the sum of fifteen thousand pounds sterling per annum for a monthly steam-ship service, or a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, for a fortnightly steam-ship service between British Columbia and China and Japan, such subsidy to be granted for such term of years and on such conditions as the governor in council considers expedient: *Provided always*, That during such term the Government of the United Kingdom grants to such individual or company a subsidy of not less than forty-five thousand pounds sterling per annum for the monthly service, or of not less than seventy-five thousand pounds sterling per annum for the fortnightly service above mentioned.

3. The governor in council may enter into a contract for a term not exceeding ten years with any individual or company for the performance of a fast weekly steam-ship service between Canada and the United Kingdom, making connection with a French port, on such terms and conditions as to the carriage of mails and otherwise as the governor in council deems expedient, for a subsidy not exceeding the sum of five hundred thousand dollars a year.

This act provides for the establishment of the following British lines of steamers:

First. A fortnightly line from Vancouver to Australia and New Zealand, with a Canadian subsidy of $125,000 a year, efforts being made for securing an additional subsidy from Australia and New Zealand.

Second. A line from Vancouver to China and Japan, with a subsidy

of about $300,000 in the case of a monthly service, and of about $500,000 in the case of a fortnightly service; and

Third. A British line of steamers from St. Johns, New Brunswick, to Liverpool, with a Canadian subsidy of $500,000 a year. This is to be supplemented, I understand, by a British subsidy, the amount of which is not known, but is publicly stated at $300,000 a year, making a total subsidy of $800,000 a year.

The steamers of the Pacific line to China and of the Atlantic line to England are to be so constructed as to be readily available as armed cruisers in the military navy of Great Britain, and in consideration thereof they are to receive in addition to the sums above mentioned, certain admiralty or navy subsidies, the amount of which is not publicly known. It is understood, however, that this admiralty subsidy consists of a construction bounty and subsequent navigation bounty, which runs for a term of years. The steamers on the Atlantic line are to be of large size and great speed. This scheme has been delayed by Canadian-Pacific scheming to get the control of a part of the intercolonial railway system, but there can be little doubt of the final consummation of the whole plan as above outlined.

In the whole history of commerce there is nothing in the nature of governmental promotion which can be compared to this enormous scheme of subvention, embracing the Canadian Pacific Railway with its enormous grants, privileges, and franchises, and its connecting ocean steamer lines receiving enormous commercial and naval subsidies.

The object of this scheme is not alone Canadian union and Canadian commercial and political advancement; it goes far beyond this. It is part and parcel of the gigantic political scheme of imperial confederation. It was in this view that Lord Lansdowne, late governor-general of Canada, declared that "without the Canadian Pacific Railway the British North American act was not worth the paper it was written upon."

The ruling political party in Canada recognizes this fact, and the leaders of that party make no pretense of disguising it. The "Hand Book of Canada," published by the Dominion Government, states that the Canadian Pacific was constructed "in the interests of the empire at large, as well as those of Canada." And it adds: "Had these far-seeing plans been taken up when [first] mooted Canada would have been at least two generations in advance of her present position, whilst "Greater Britain" [*i. e.* British imperial confederation] would have been in a much higher state of development than it is." This significant remark also follows:

> It was a singular coincidence, and perhaps a prophetic omen of the future imperial importance of this railway, that the first loaded train that passed over its entire length from ocean to ocean was freighted with naval stores, belonging to the imperial war department, transferred from Quebec to Vancouver.

This shows the politico-commercial aspect of the Canadian Pacific Railway, in a way which forces the United States Government to consider the question as to whether the United States or the British Empire is to hold the commercial supremacy on this continent.

These facts emphasize and more clearly bring out the point which I have before stated, namely, that the United States is confronted at the north by a government which is thoroughly committed to a political policy involving a participation in commerce which is essentially aggressive toward American interests. This is the real question which we have to meet, and it must be determined in order to protect American ships, American sea-ports, and American transportation lines.

This view of the case has been very clearly set forth in the recent resolutions adopted by the commercial conference on the Pacific coast, wherein it is clearly shown that this Canadian and British policy of subsidized steamer lines and subsidized railroads across the continent will inevitably break down American steamer navigation on the Pacific Ocean, the effect of which will be to divert commerce from the Pacific ports and from our own lines of transportation between Pacific coast ports and the eastern side of the continent.

THE UNITED STATES AND CANADIAN TRANSIT TRADE.

A clear understanding of our Canadian relationship of transportation involves a careful consideration of what is commonly known as "the United States and Canadian transit trade."

The United States and Canadian transit trade had its origin in an exercise of administrative discretion. About the year 1848 the inference was raised that if under our laws imported goods held in a government warehouse, for example, in New York City, could be taken out of the warehouse and transported across the streets of New York to a seagoing vessel and re-exported without the payment of duties, it might be lawful to take them out of the warehouse in New York and place them on board of a railroad car and ship them across the United States to Canada without the payment of duty. This was done and constituted the beginning of the transit trade. At the same time the privilege was extended to Canadians of shipping their produce across the United States to be exported from New York or from Boston to foreign countries without exacting duties upon them in the United States. This latter privilege was of great value to the Canadians, for the reason that the St. Lawrence River is closed by ice and fogs about six months of each year, during which period they are practically interior provinces. At the same time this traffic brought business to shipping at the port of New York and to American transportation lines, and it had about it the essential elements of reciprocity.

The St. Lawrence system of canals was completed about the year 1848. During that year the Canadian Government very gladly extended to the people of the United States the privilege of importing and exporting goods through Montreal without the payment of duties in Canada. The Canadian Government did everything it could to encourage this traffic because it tended to promote the commercial interests of Canada. At the same time it afforded to the people of our Western and Northwestern States the competitive advantage of an alternative route. This movement also had about it the essential elements of reciprocity.

These two movements, embracing the privilege afforded by each country of exporting or importing goods across the territory of the other without the payment of duty, I shall hereinafter designate as "the foreign transit trade." It may be remarked in passing that the advantages which the foreign transit trade affords to Canada are proportionately very much greater than those afforded to the United States.

THE DOMESTIC TRANSIT TRADE.

There is another and more important branch of the United States and Canadian transit trade to which I would more particularly invite your attention. I refer to the transportation of merchandise from one

point in the United States to another point in the United States across the territory of Canada, and to the transportation of goods from one point in Canada to another point in Canada across the territory of the United States, in both cases without payment of duty. This I designate as the domestic transit trade. This branch of the transit trade had its origin in the geographical circumstance that east of Minnesota, where the parallel of 49 degrees is the international boundary, the territory of the two countries interject, the one into the other, through a range of 6 degrees, or about 400 miles of longitude.

The entire settled portions of the provinces of Ontario and Quebec are situated south of a line drawn from the northern boundary of Minnesota to the northernmost point of Maine.

Just 73 per cent. of the total population of the Dominion of Canada is embraced in this interjection of territory, as will be seen from the statement of population recently prepared by the statistical bureau of Canada:

	Population.		Population.
Ontario	2,189,107	British Columbia	150,999
Quebec	1,496,226	Prince Edward Island	121,852
Nova Scotia	489,618	Northwest Territories	106,000
New Brunswick	348,568		
Manitoba	146,545	Total	5,048,915

On the other hand, the State of Maine almost separates the province of Quebec from the province of New Brunswick.

Now, I beg you will carefully observe the fact that the "transit trade" is based absolutely upon these interjections of territory, and upon the fact that navigation on the St. Lawrence River is closed for about six months each year. But for these physical characteristics of the two countries on the east side of the continent, there never would have been any "transit trade."

The origin of the domestic "transit trade" was as follows:

About the 1st of April, 1855, the railway suspension bridge two miles below Niagara Falls was completed. By this means the New York Central Railroad, the Great Western Railroad, of Canada, and the Michigan Central Railroad formed the first all-rail line from New York to Chicago, with the single break caused by the Detroit River, which was crossed by a ferry. A large freight and passenger traffic at once sprung into existence over this line.

The question arose whether American goods could be loaded into a foreign railroad car at Suspension Bridge and carried across the interjecting territory of Canada to Detroit without the payment of duty. The analogy furnished by our navigation laws, which forbid the carriage of goods from one point in the United States to another point in the United States in any other than an American vessel, was set aside. In the absence of any specific statute on the subject, the authorities at Washington yielded to the popular demand, and thus the domestic transit trade, like the foreign transit trade, had its origin in the mere exercise of administrative discretion. The Canadian government very freely acceded to the arrangement, for it was one of great advantage to the traffic interests of the then most important railroad in Canada, the Great Western Railroad.

Since the inauguration of the domestic transit trade over the Canadian route just mentioned, the relative importance of that route has greatly decreased in consequence of the construction of the several powerful trunk lines south of Lake Erie, which carry the great bulk of the commerce between the West and the sea-board.

TRANSIT TRADE LEGISLATION AND TREATY STIPULATIONS.

Both branches of the transit trade hereinbefore described and designated as the foreign transit trade and the domestic transit trade, existed from the time of their inception by virtue of administrative discretion, and in the absence of any specific provisions of law sanctioning them, until July 28, 1866, when the following act of Congress was passed (Revised Statutes, sections 3005 and 3006, Chapter CCXCVIII, approved July 28, 1866):

AN ACT to protect the revenue and for other purposes.

SEC. 5. *And be it further enacted*, That from and after the passage of this act, all goods, wares, or merchandise arriving at the ports of New York, Boston, and Portland, or any other port of the United States which may be specially designated by the Secretary of the Treasury, and destined for places in the adjacent British Provinces, or arriving at the port of Point Isabel, Texas, or any other port of the United States which may be specially designated by the Secretary of the Treasury, and destined for places in the Republic of Mexico, may be entered at the custom-house and conveyed, in transit, through the territory of the United States, without the payment of duties, under such rules, regulations, and conditions for the protection of the revenue as the Secretary of the Treasury may prescribe.

SEC. 6. *And be it further enacted*, That imported goods, wares, or merchandise in bond, or duty paid, and products or manufactures of the United States, may, with the consent of the proper authorities of the provinces or republic aforesaid, be transported from one port or place in the United States to another port or place therein, over the territory of said provinces or republic, by such routes and under such rules regulations, and conditions as the Secretary of the Treasury may prescribe; and the goods, wares, or merchandise so transported shall, upon arrival in the United States from the provinces or republic aforesaid, be treated in regard to the liability to, or exemption from duty or tax as if the transportation had taken place entirely within the limits of the United States.

Section 5 of the act above quoted in terms legalized the foreign transit trade, while section 6 as specifically legalized the domestic transit trade. The next measure in the order of time having reference to the establishment of the United States and Canadian transit trade is found in the twenty-ninth article of the treaty of Washington, which was concluded May 8, 1871. That article is as follows:

ARTICLE XXIX.

It is agreed that, for the term of years mentioned in Article XXXIII of this treaty, goods, wares, or merchandise arriving at the ports of New York, Boston, and Portland, and any other ports in the United States which have been or may, from time to time, be specially designated by the President of the United States, and destined for Her Britannic Majesty's possessions in North America, may be entered at the proper custom-house and conveyed in transit, without the payment of duties, through the territory of the United States, under such rules, regulations, and conditions for the protection of the revenue as the Government of the United States may from time to time prescribe; and, under like rules, regulations, and conditions, goods, wares, or merchandise may be conveyed in transit, without the payment of duties, from such possessions through the territory of the United States for export from the said ports of the United States.

It is further agreed that, for the like period, goods, wares, or merchandise arriving at any of the ports of Her Britannic Majesty's possessions in North America, and destined for the United States, may be entered at the proper custom-house and conveyed in transit, without the payment of duties, through the said possessions under such rules and regulations and conditions for the protection of the revenue as the governments of the said possessions may from time to time prescribe; and, under like rules, regulations, and conditions, goods, wares, or merchandise may be conveyed in transit, without payment of duties, from the United States through the said possessions to other places in the United States or for export from ports in the said possessions.

This treaty of Washington was concluded fifteen years before the Canadian Pacific Railway was constructed, and only two years after

the first transcontinental railroad was completed in this country. It is absolutely certain that it never would have been signed by any sane American commissioner nor ratified by any American Congress in the presence of the conditions which now govern the transportation interests of the United States and of the efforts which are now being made by the Canadian and British Governments to grasp American commerce and to exploit British imperial confederation on this continent.

And now let us briefly recapitulate the leading facts hereinbefore stated in regard to the transit trade.

Both branches of that trade were inaugurated by administrative discretion. Subsequently they were sanctioned by the act of July 28, 1866, and by article 29 of the treaty of Washington. All this was prompted and justified by the particular circumstances of interjecting territory, by the disability under which the provinces of Quebec and Ontario labor of having no winter sea-ports, and by the advantage of competition which the St. Lawrence River route affords to our Western and Northwestern States during the season of navigation.

On the western side of the continent the case is entirely different.

Not one of the conditions which justify the transit trade on the eastern side of the continent exists as a justification of the extension of the privileges of that trade to the western side of the continent; but, notwithstanding this obvious and most important characteristic of the commercial life of the country, upon the completion of the Canadian Pacific Railway to the Pacific Ocean, in the month of May, 1886, the Secretary of the Treasury granted to the Canadian Pacific Railway Company the privileges of the transit trade, so that it was enabled at once to enter into competition with the American lines for the domestic traffic of the United States across the continent, and also of competing, by the sheer force of British and Canadian governmental subsidy, with American steamer lines, American sea-ports, and American railroads for our Asiatic commerce.

I am aware of the fact that under a familiar rule of construction, a statute of a general nature, although in its form permissive, is nevertheless mandatory upon the officers of the Government charged with its administration, and that Sec. 6, of the act of July 28, 1866, may be regarded in this light. There is, however, a question as to whether the Secretary did or did not err in allowing the transit trade on the Pacific coast to be conducted in part by vessel and in part by rail, embracing the transfer of cargo on foreign soil. But I submit to the committee that the historic facts which alone justified the enactment of that law, and the questions of public policy which now confront the country regarding the encroachment of the Dominion Government upon the navigation, transportation, and commercial interests of the United States clearly demand that under specific statutory provisions, the "transit trade" shall be limited to the conditions under which it was originally established, and to the specific purposes which it still subserves on the eastern side of the continent.

I maintain, however, that in a certain particular the "transit trade" as now conducted on the Pacific coast is in open violation of our laws for the protection of the revenue from customs.

THE TRANSIT TRADE ON THE EASTERN AND ON THE WESTERN SIDE OF THE CONTINENT.

Now, what are the real differences between the application of the transit trade on the eastern side of the continent and on the western side? To make this perfectly clear to your committee, even at the

risk of repeating what has already been said, I invite your attention to the following statement, showing specifically the radical differences which exist between the conditions under which the transist trade exists on the eastern and on the western side of the continent.

First. The eastern transit trade is across interjecting Canadian territory, in part over an American line, the Canada Southern Railway. There is no such interjecting territory on the west side of the continent, and the exclusive privileges of railway construction granted to the Canadian Pacific do not tolerate such an American competitor in British Columbia.

Second. The transit across this interjecting territory at the east, while enabling some of the principal railroads of Canada to participate in our domestic traffic, affords the reciprocal advantage to American shippers of short and direct lines between our Northwestern and our New England States; but no such advantage of a shorter line is afforded by the Canadian Pacific on the western side of the continent.

Third. The most populous and most wealthy portion of the Dominion of Canada is for six months of the year dependent upon transit across the territory of the United States for free commercial intercourse with foreign countries. But no such disability affects British Columbia. In common with all the Pacific coast ports, as far north as Sitka, Alaska, the ports of British Columbia are open all the year.

Fourth. The eastern transit trade lines tend to bring trade to American sea-ports, while the Canadian Pacific Railway, with its British steamer line adjuncts, operates very strongly to turn American commerce from American sea-ports, a fact which has created great alarm on our Pacific coast and has led the convention of commercial and industrial organizations of that section to utter an earnest and entirely nonpartisan appeal to Congress for protection against the aggressions of the Canadian and British Governments.

Fifth. The St. Lawrence River and Canadian canals afford the competitive advantages of an alternative route to the people of our Western and Northwestern States for six months of the year; but no such natural advantages of water transportation through Canada exist on the western side of the continent. We have no need to cross Canadian territory there, even for the purpose of gaining the advantages of an alternative route.

Sixth. The railroads of Canada, which were allowed to engage in the transit trade under the privileges of the act of July 28, 1866, and of article 29 of the treaty of Washington, were all constructed as commercial enterprises, on commercial principles and to subserve merely commercial purposes, but the Canadian Pacific Railway, as I have before shown, was constructed by the Dominion Government for political purposes distasteful to and in a measure inimical to the United States.

This is fully evidenced by the contribution of $215,000,000 in gifts and other subventions by the Dominion Government to the Canadian Pacific Railway; by the exemption of the property of that company from taxation, amounting to $600,000 a year; by the remission of duties on rails and other materials, amounting to $7,000,000 upon the basis of the rates of duty charged in the United States; by protection against the construction of competing lines, and by the subsidy to the Canadian Pacific lines across the State of Maine, amounting to $186,000 a year.

Seventh. The Canadian Pacific Railway has as adjuncts a steamer line to Asia so heavily subsidized by the Canadian government as to threaten the ruin of American steamer lines between San Francisco and

ports in Asia, and to divert our Asiatic commerce from American seaports to the Canadian port of Vancouver. The Canadian and British Governments, with the idea of the imperial confederation of the British Empire prominently in view, are now planning for the establishment of a heavily subsidized British steamer line to Australia and New Zealand. This will ruin our American line to these islands unless we adopt measures which will protect it against the efforts of the Dominion Government to destroy it.

Those governments are also planning for a heavily subsidized trans-Atlantic steamer line from St. John's or Halifax to Liverpool. This line would tend to divert commerce from New York, Boston, and Portland, Me. But no schemes for diverting commerce from American ships, from American sea-ports, and from American transportation lines characterized the railroads which were authorized to engage in the transit trade by the act of July 28, 1866, or by the treaty of Washington of 1871. As I have before remarked, that treaty would never have been signed by any sane commissioner if it had been characterized by any such feature of hostility to American interests.

Eighth. The Canadian Pacific Railway is closely identified with military objects, which were at the beginning urged with effect both in Canada and Great Britain in favor of the construction of that road. This feature of the enterprise is accentuated by the formidable fortress and naval station at Esquimault on the Island of Vancouver, and it is also indicated by the fact already noted that the first train which passed over the Canadian Pacific upon its completion was loaded with material of war. No objectionable feature of this nature characterized the transit trade authorized by the act of July 28, 1866, and by the treaty of Washington, and it is certain that the privileges of the transit trade should never be granted to any railroad which is characterized by any such objectionable features.

THE POSSIBILITY OF CANADIAN RETALIATION.

The question of expediency has been suggested as to the effect which the suspension of the privileges of the transit trade on the western side of the continent might have upon American interests in case the Canadian government should see fit to retaliate by curtailing the privilege of the transit trade on the eastern side of the continent. Nothing could be more absurd than to apprehend evil to any American interests from this source. In the whole matter of the transit trade from New Brunswick to Vancouver the United States holds an overpowering advantage over Canada at every point. The entire suspension of this trade would be of comparatively small disadvantage to the United States, whereas it would be utterly disastrous to Canada. If the Dominion Government should forbid the transportation of Canadian goods in bond and free of duty across the State of Maine over the new subsidized Canadian Pacific line, or should forbid the transportation of goods across the territory of the United States through the ports of New York, Boston, and Portland, Me., in the conduct of the foreign commerce of Canada, or should forbid the carriage of American merchandise from one point in the United States to another point in the United States across the interjecting territory of the provinces of Ontario and Quebec, or should forbid the Northwestern States from carrying on foreign commerce through the port of Montreal except upon payment of duty, such action would wreck the commercial, industrial, and transportation interests of Canada and in a moment dispel the cherished dream of Canadian commercial supremacy upon this continent.

To assume that the suspension of the privileges of the transit trade on the western side of the continent, where there is no justifiable excuse for its existence, would lead the Canadian government to retaliate by any interference whatever with the eastern transit trade would be to impeach the common sense of the exceedingly astute and able men who now control the political affairs of Canada. Nothing could be more puerile than such an assumption. It is to-day entirely within the discretion of the Government of the United States to afford ample protection to American shipping interests, to American sea-ports, and to American transportation lines against Canadian encroachment on the western side of the continent without the slightest ground for apprehending any sort of Canadian retaliation on the eastern side of the continent.

It is high time for the people of this country to appreciate the fact that their national Government holds a preponderance of commercial power on this continent as absolute as the preponderance of its military power, and to demand that those who are charged with the affairs of Government shall adopt such measures as shall prevent any interference by a foreign power with the course of the development of our domestic or foreign commerce.

THE LEGALITY OF THE ARRANGEMENTS UNDER WHICH THE PRIVILEGES OF THE TRANSIT TRADE HAVE BEEN EXTENDED TO THE PACIFIC OCEAN.

The legality of the arrangement whereby the privileges of the domestic transit trade have been secured by the Canadian Pacific Railway Company is subject to serious doubt. Such privileges have been secured by forming a connection with an American steamer line plying between Vancouver and ports in the United States as far south as San Diego, Cal. The abrogation of Article XXX of the treaty of Washington denied this privilege to foreign vessels. The connection made by the Canadian Pacific with an American steamer line is, however, questionable as to its legality. Our navigation laws confine the domestic carrying trade exclusively to American vessels. Obviously an American vessel can not take a cargo of domestic goods from San Francisco to Valparaiso, Chili, and there ship them by a foreign vessel to New York, but American vessels are carrying goods from San Francisco to Vancouver, British Columbia, there to be shipped to New York by the Canadian Pacific and its Eastern railroad connections, under conditions much less favorable to the protection of our revenues from customs than in the former case. It will be easy for the committee to procure information from the law officers of the Government upon this subject, and I, therefore, leave the matter with the simple expression of my views in regard to it.

There is, however, a feature of the foreign transit trade through Victoria which appears to be openly and flagrantly in violation of the letter and spirit of the law. Our existing laws concerning the transportation of dutiable goods from seaports of the United States to interior points in the United States, say, for example, imported goods from San Francisco to Chicago, require that a consular invoice of such goods shall be delivered to the customs officer at San Francisco for examination; that entry of the goods shall be made at that port; that the goods shall be shipped under a transportation bond for the security of the duties; that the railroads over which the transportation takes place shall also be bonded, and that the cars in which they are carried shall be

sealed. But at the present time foreign goods to be shipped east to points in the United States are received by an inspector of customs of the district of Puget Sound, who, as I am informed, has been made a consular agent of the United States. He simply certifies to manifests of American goods, and forwards them without examining or certifying to the invoices, and the Canadian Pacific being a foreign corporation can not execute a bond to the United States for the faithful performance of any service whatever. The whole proceeding appears to be unwarranted.

So, without any authority of law and by a manifest abrogation of law, Vancouver is exempted from important requirements which apply at San Francisco. Thus the administrative branch of our own Government is actually aiding the great politico-military railroad of Canada in its work of deflecting commerce from American ships, from American seaports, and from American transportation lines by the sheer force of Canadian and British subsidy.

I hesitate not to characterize this as disgraceful to the Government of the United States and a matter which calls for immediate rectification.

THE STRUGGLE MADE BY THE CANADIAN PACIFIC RAILWAY COMPANY FOR THE CONTROL OF AN IMPORTANT PART OF THE INTERNAL AND FOREIGN COMMERCE OF THE UNITED STATES.

The Canadian Pacific Railway was open for traffic in the month of June, 1886. With a phenomenal audacity the Dominion Government and the Canadian Pacific Railway management assumed that the privileges of both the internal and the foreign transit trade of the United States applied to transcontinental traffic, notwithstanding the historic fact that the entire transit trade was originally established under the peculiar conditions of interjecting territory on the Eastern side of the continent, and by virtue of the fact that the Canadian Provinces of Ontario and Quebec were shut off from foreign commerce by ice and fogs during six months of the year. The act of July 28, 1866, made the extension of the "transit trade" subject to the discretion lodged with the Secretary of the Treasury touching the protection of the revenues from customs, and the twenty-ninth article of the treaty of Washington in terms granted the privileges of the transit trade in favor of the particular routes on the East side of the continent described in that article, and to such other routes as might be "specially designated by the President of the United States."

I think that from the stand-point of national interest and honor it is a cause for regret that the late administration should have unconditionally extended the privileges of the transit trade to transcontinental traffic and thus have aided the government of Canada in carrying out a line of policy the objects of which are inimical to the commercial, navigation, and transportation interests of this country and in a political sense offensive to the United States. As our navigation laws forbid that any foreign vessel shall engage in our domestic commerce, it was necessary that an American line of steamers should form the connection with the Canadian Pacific Railway, whereby that agency of the Dominion Government might be able to compete with the transcontinental and eastern trunk lines of the United States for the traffic of California, Oregon, and Washington with the east side of the continent. Under the arrangement which was made for carrying that object into effect the Canadian Pacific Railway at once began a bull-dozing policy in regard to rates with the object plainly in view of wresting from the

American lines a large share of the through traffic. They wanted a larger share than the American lines could afford to grant without imperiling their own interests. Besides it was seen that a very material reduction of through rates, in order to prevent traffic diversion, would compromise the American lines with respect to an equitable adjustment of through and local rates and generally with respect to competing and non-competing rates. This, however, would inevitably have led to popular discontent all along their lines and the blame would of course have fallen immediately upon the managers of the American lines. The general manager of one of these lines remarked that with them it was a question of "no traffic or no rates."

Everything seemed to favor Canadian aggression. The Treasury Department had given the whole case away and soon after the interstate-commerce act took effect. For months the managers of the American transcontinental railroads were in a demoralized state, while Mr. Collingwood Schreiber, chief engineer and manager of the government railways of Canada, exultingly reported to his government, under date of December 26, 1887, that "already notes of alarm have been sounded by the American press at the manner in which the Canadian Pacific Railway is cutting into the business of the transcontinental roads of the United States." The Canadian Pacific Railway, constructed mainly by the gifts and aids of various sorts extended by the Canadian government and backed up by that government in every act of aggression upon American interests, was fighting a set of American lines constructed mainly or entirely by private capital with large financial obligations and confronted by a jealous and somewhat unfriendly public sentiment in this country toward the railroads generally. The situation seemed to illustrate the irony of fate.

After a while the Interstate Commerce Commission decided that the competition of the Canadian Pacific Railroad is a cause for departure from the "long and short haul rule." This was a great relief to the transcontinental railroads, but a greater relief to the producing industries of California, which depend for quick markets upon that portion of the United States situated east of the Missouri River. To what extent the long and short haul rule may be departed from the Commission has cautiously refrained from saying, and the country is still at sea upon the vitally important question as to the influence which shall be exerted in the determination of relative rates by rival commercial forces, by mountain ranges and arid wastes, and by the competition of water lines, and by the power exerted by the Dominion Government through its *alter ego*, the Canadian Pacific Railway Company. This is the emergent question of our railroad problem, which must finally be settled by judicial determination. For many months a war of rates continued between the Canadian Pacific and the American lines, and the situation to-day is in the nature of an armistice. The plan adopted for keeping the peace is that of differential rates. By this concession the Canadian Pacific is allowed to charge lower rates in order to secure a share of the through traffic, a virtual concession to the financial power of the Dominion Government behind the Canadian Pacific.

This is illustrated by the following table showing the rates which now prevail on through traffic from San Francisco to Chicago by direct American routes and by the Canadian Pacific route by steamer to Vancouver, and thence by Canadian Pacific Railway and its eastern connections.

Through rates from San Francisco to Chicago.

Merchandise class.	Direct American route.	Canadian Pacific route.	Differential.	Merchandise class.	Direct American route.	Canadian Pacific route.	Differential.
First	$3.90	$3.72½	$0.17½	A	$1.90	$1.82	$0.08
Second	3.40	3.25¾	.14¼	B	1.70	1.62	.08
Third	2.70	2.58	.12	C	1.35	1.28	.07
Fourth	2.10	2.00	.10	D	1.20	1.15	.05
Fifth	1.85	1.75	.10	E	1.10	1.05	.05

The discrimination in passenger traffic is illustrated by the following statement quoted from printed schedule showing the rates in force on the 26th of December, 1889.

Rates from St. Paul, Minn., to Portland, Oregon.

Class.	Via Northern Pacific.	Via Canadian Pacific.
Limited—		
First class	$60	$50
Second class	35	30

During the year 1888 the Canadian Pacific in its fight with the American transcontinental lines secured about 39 per cent. of the traffic between San Francisco and a line of which the principal eastern points are St. Paul, Milwaukee, Chicago, St. Louis, and New Orleans. I have not been able to procure any later information as to the relative magnitude of this movement.

The Interstate Commerce Commission, in their recently published report, say:

> It is estimated that fully one-third of the through business of the Canadian Pacific to and from the Pacific coast consists of traffic furnished from the United States.

TRAFFIC BETWEEN THE ATLANTIC SEA-BOARD STATES AND CHINA AND JAPAN OVER THE CANADIAN PACIFIC ROUTE.

There is a traffic over which neither the Transcontinental Railway Association or any other American railway organization appears to exercise any sort of control. I refer to the direct traffic between points in the Atlantic Sea-board States and China and Japan, over the Canadian Pacific Railway and its heavily subsidized ocean steamer line. This commerce is being deflected from American steamer lines on the Pacific Ocean, from American sea-ports on the Pacific coast, and from American railroads across the entire continent, by the sheer force of subventions granted by the Dominion and British Governments. Through rates are quoted between Atlantic and Pacific coast cities, but there is no supervision over such traffic such as that which is exercised by the Transcontinental Association over traffic west of Chicago and St. Louis.

The following tables exhibit respectively the kinds and weights of commodities exported from the Atlantic Sea-board States to China and

Japan via British Columbia by the Canadian Pacific Railway and its heavily subsidized British steamer line across the Pacific Ocean:

No. 59.—Statement showing the kinds and weights of commodities, the production of the United States, exported from the United States through British Columbia, via the Canadian Pacific Railway, to China and Japan during the year ending June 30, 1888.

[From official reports by the United States inspector of customs at Vancouver, British Columbia.]

Articles.	Weight.	Articles.	Weight.
	Pounds.		*Pounds.*
Books	5,973	Personal effects	15,570
Boots and shoes, India-rubber	910	Plumbago	390
Clocks and watches	907	Rattan core	395
Cottons	4,660,168	Talc	2,080
Gypsum	27,410	Tobacco and cigarettes	1,725
Hoofs, horns, and bones	72,696	Tram-cars	45,000
Lubricants	7,896	Type-writers	60
Machinery	678,047	Wire	53,653
Merchandise	31,192		
Organs	21,193	Total	5,625,355

No. 60.—Statement showing the kinds and weights of commodities, the production of the United States, exported from the United States through British Columbia, via the Canadian Pacific Railway, to China and Japan during the year ending June 30, 1889.

[From official report by the United States inspector of customs at Vancouver, British Columbia.]

Articles.	Weight.	Articles.	Weight.
	Pounds.		*Pounds.*
Air-guns	40	Lamps	410
Apples	310	Leather, belting	1,713
Books, stationery, charts, and printed matter	40,588	Mica	65
Boots, India-rubber	4,097	Milk, condensed	1,896
Carbons	4,140	Merchandise, not specified	5,466
Cartridges, metallic	3,162	Missionary goods	70,460
Cases of wood	300	Musical instruments:	
Celluloid	1,255	Organs	2,720
Clay pipe	2,861	Pianos	1,050
Collars, linen	534	Oils, lubricating	18,016
Copper wire	19,070	Oils and paints	1,150
Cottons	11,756,504	Paper	100
Cream of tartar	821	Pencils, of lead	880
Cresin	564	Personal effects	12,085
Dry goods, not specified	11,401	Phonographs	2,100
Drugs, not specified	8,080	Photographic goods	714
Electric fixtures	196,451	Pictures	110
Fire-works	1,400	Sulphur	274
Gas-fixtures	2,119	Silk, raw	2,602
Ginseng	39,933	Skates, roller	37,700
Glassware	100	Tea	480
Head-lights for locomotives	450	Telegraphic wire	3,420
Hoofs and fertilizers	182,780	Tobacco	753
Iron and steel:		Cigarettes	3,792
Castings	9,762	Tinware	1,531
Fire-arms	361	Varnish	1,754
Hardware	12,411	Wood manufactures:	
Locomotive springs	470	Boats	2,340
Machinery, not specified	328,938	One show-case	(*)
Printing-presses	1,819	Wax-candle stock	7,786
Scales	3,663		
Type-writers	200	Total	12,834,991
Wire rope	20,040		

* No weight given.

No. 61.—*Statement showing the kinds and weights of commodities imported into the United States through British Columbia, via the Canadian Pacific Railway, from China and Japan during the calendar year 1888, and the eleven months ending November 30, 1889.*

[From official reports of the United States inspector of customs at Vancouver, British Columbia.]

Commodities.	1888.	Eleven months of 1889.	Commodities.	1888.	Eleven months of 1889.
	Pounds.	*Pounds.*		*Pounds.*	*Pounds.*
Tea	14,687,627	8,600,550	Bamboo	.....	6,420
Rice	216,385	3,461,382	Silk floss	.....	3,992
Raw silk	560,591	790,791	Porcelain	16,400	748
Curios	140,374	361,277	Animal skins	.....	530
Matting	4,030	305,912	Art goods	.....	160
Straw braid	.....	100,555	Groceries	167,040	.....
Flax fiber	.....	83,370	Lily bulbs	19,250	.....
Paper ware	.....	37,610	Ivories	180	.....
Silk waste	.....	27,920	Merchandise (not otherwise described)	1,065,370	644,411
Fire-works	.....	16,777			
Silk goods	.....	10,391			
Japan ware	.....	7,387	Total	16,877,427	14,467,533
Personal effects	180	7,350			

S. G. BROCK,
Chief of Bureau.

TREASURY DEPARTMENT, BUREAU OF STATISTICS,
December 27, 1889.

The quantity of tea imported by this route during the year ended June 30, 1889, constituted 20 per cent. of the total imports of tea into the United States during that year.

The precise question which confronts Congress and the country is: Shall a foreign railroad, built by a foreign government, and a subsidized British steamer line, established in connection with that railroad for commercial and political purposes inimical to the United States, be permitted to divert American commerce from American vessels, American sea-ports and American transportation lines, and if not, what measures shall be adopted for the protection of these American interests?

CANADIAN DISCRIMINATIONS IN THE MATTER OF ENTRANCE AND CLEARANCE FEES.

Almost all the commercial nations on the globe, Great Britain included, now allow American vessels to enter their ports from all foreign ports upon the same terms, as to duties of tonnage or import, as are levied upon their own vessels entering from foreign ports. In other words, no nation discriminates against the vessels of another in the matter of duties of tonnage or impost. This arrangement of maritime reciprocity in its general application is not based upon treaty stipulations, but upon reciprocal statutory provisions of a general [illegible] nature. Such legislation was, I think, initiated by the [illegible] in our act of May 24, 1828. But notwithstanding [illegible] reciprocal arrangement now characterizes the marit[illegible] the civilized globe, and the fact that Canadian vesse[illegible] are allowed to enter at ports of the United States upon the same terms as to tonnage duty and entrance and clearance fees as are charged American vessels, Canada charges American vessels arriving from American ports an entrance fee of 50 cents and a clearance fee of 50 cents, making $1 for every visit to a Canadian port, whereas no entrance or clearance fee whatever is imposed upon Canadian vessels having a license issued by the Canadian authorities, and the Commissioner of Navigation of the United States informs me that "it is presumed that the license is obtained by such vessels practically, in every case."

This, in dollars and cents, is comparatively a small matter to the country at large, but it serves to illustrate the general fact that all along the line, from the banks of Newfoundland to the island of Vancouver, this aggressive Canadian Government leaves no chance of encroachment upon American commerce and no loop-hole of advantage for Canadian vessels or Canadian trade which it does not improve by an unfair discrimination of some sort in favor of Canadian interests.

In passing I would observe that the United States does not allow Canadian vessels to engage in trade between American ports, and that Canada does not allow American vessels to engage in trade between Canadian ports. This is and always has been the case. Each country absolutely protects its own coastwise or domestic carrying trade against foreign competition.

CANADIAN VIOLATIONS OF THE TERMS OF THE TREATY OF WASHINGTON AND OF THE OBLIGATIONS OF THE TRANSIT TRADE.

A flagrant and most absurd violation of a treaty stipulation between the United States and Great Britain was brought to the attention of the House of Representatives on the 4th of January, 1888, in the form of a resolution submitted by the Hon. Nelson Dingley, jr., of Maine. During the three preceding years, through the device of an "order in council," a rebate of 18 cents per ton had been allowed out of the total toll of 20 cents per ton on grain of all sorts passing through the Welland and St. Lawrence Canals, if shipped to Montreal. This constitutes a premium of 18 cents a ton offered by the Canadian Government in favor of the diversion of American commerce from American sea-ports and American transportation lines. An officer of the revenue department of Canada has innocently confessed that "the object of the Dominion Government in promulgating this order was to encourage trade over the St. Lawrence route instead of allowing it to go to American ports."

On the 16th of January, 1888, Mr. Dingley showed that this discrimination was clearly in violation of Art. XXVII of the treaty of Washington. It also constitutes a most flagrant and manifest violation of the reciprocal relations under which the "transit trade" exists. The life of that arrangement subsists in an entire abstinence from any sort of discrimination in favor of the cars, the vessels, or the ports of either country. When the two countries shall attempt to vie with each other by discriminations in favor of their own cars, or vessels, or ports, the whole transit trade, with all its conditions of mutual benefit, will be wiped out.

It was hoped that the Dominion Government would have recognized the expediency, if not the justice, of receding from this manifest breach of treaty obligation; but this has not been done. On the 20th of April, 1888, the offensive discriminating order was renewed. The Dominion Government seemed to be alarmed, and delayed the order about a month, until the absorbing issues of our approaching Presidential campaign had called the attention of Congress and the country away from Canada. But again, on the 18th of March, 1889, the discriminating order was issued by an order of council for the season of navigation of 1889. Last year there was no awakened public sentiment to be feared in this country, and the order was issued at an unusually early date.

It is observed that this violation of the provisions of the treaty of Washington, and of the conditions under which the transit trade exists, is not committed through an act of Parliament, but by the sly and

facile expedient of an annual "order in council," a method of wrong-doing for which Charles I, King of England, was adjudged a tyrant, and for which he at once lost his crown and head.

In responding to this indefensible discrimination against American commerce, the Government of the United States ought at once to impose a tonnage of at least 10 cents per ton on the gross tonnage of all Canadian vessels passing through the canal at Sault Ste. Marie, the rapids in the strait which connects the navigation of Lake Superior with that of Lake Huron. This canal, with its locks 515 feet long and 80 feet wide, was constructed at a cost of about $4,000,000, and is now owned and operated by the Government of the United States. Both American and Canadian vessels are allowed to pass through Sault Ste. Marie Canal free of tolls. That the United States has full power to order such discriminating tax upon Canadian vessels will be readily seen by examining Article XXVII of the treaty of Washington, concluded July 4, 1871. At that time the canal belonged to the State of Michigan, and it was not transferred to the United States until June 5, 1881.

There are also other appropriate and effective means of retaliation upon Canada for this unjust discrimination against American interests which will readily suggest themselves to the legislative mind.

THE CANADIAN REFUSAL TO RECIPROCATE IN THE MATTER OF AIDING VESSELS IN DISTRESS.

On the 4th of February, 1888, the late Hon. Newton W. Nutting, of New York, brought to the attention of the House of Representatives the fact that the Dominion Government refuses to accept the offer made by the United States by act of June 19, 1878, to allow Canadian wrecking vessels and machinery to assist Canadian vessels wrecked in American waters, provided a like privilege is extended to American wrecking vessels and machinery in Canadian waters.

This matter has time and again been brought to the attention of the Dominion Government, and the subject has several times been discussed in Parliament. But the political influence of two or three Canadian wrecking companies has been strong enough to prevent the Dominion Government from accepting the terms of our proffered reciprocity, although the refusal has already resulted in lsss of life. But this refusal to reciprocate, in a cause which appeals to the humane impulse of mankind, is perfectly in keeping with the refusal of the Canadian Government to allow American fishing vessels the common privilege of seeking refuge in her ports in time of storm, and for replenishment and necessary repairs.

AN ATTEMPTED VIOLATION OF THE RECIPROCAL CHARACTER OF THE TRANSIT TRADE.

The grasping and unfriendly disposition of the Canadian Government toward the United States was strikingly illustrated by the attempted refusal of the Canadian authorities to allow grain produced in the province of Manitoba to be shipped "in bond" from one point in Canada to another point in Canada over American railroads. This took place upon the completion of the Canadian Pacific, early in the year 1886. The movement of several million bushels of grain was thus for a time restrained. This was a flagrant violation of the privileges of the "transit trade," under which reciprocal arrangement the railroad

of Canada have profited ten times as much as the railroads of the United States. The "transit trade" has also been of enormous advantage to the commercial and industrial interests of Canada. The refusal of the Dominion Government to allow grain to be transported "in bond" over American railroads was not openly announced, but it was carried on surreptitiously.

The Ottawa authorities declared that no instructions had been issued to the officials in Manitoba to prevent the traffic, and the customs officials in Manitoba declared that no instructions had been issued to them whereby they could issue the necessary certificates allowing the movement of grain from one point in Canada to another point in Canada over an American line. The treaty of Washington, concluded May 8, 1871, bore the first marks of this scheme of refusing to be bound by the reciprocal conditions of the transit trade. The words "to other places in the United States," near the end of the second paragraph of article 29, grant to Canadian railroads the right to convey goods from one point in the United States to another point in the United States without payment of duty, whereas there are no corresponding words in the first paragraph of the article referred to, which grant a reciprocal privilege to the railroads of this country. The Canadian Pacific seemed to be trying the experiment of taking advantage of this omission, which was either the result of a blunder or of a fraud. But the gathering storm of indignation convinced the Canadians that the whole transit trade might be endangered by their refusal to observe the obligations of its reciprocal character and they prudently withdrew their covert opposition.

I have presented this case merely as a further illustration of the character of the Dominion Government and to show that the people of Canada carry no friendship into their trade with the United States.

ACTION OF THE COMMERCIAL AND INDUSTRIAL BODIES OF THE PACIFIC COAST IN REGARD TO CANADIAN PACIFIC RAILWAY ENCROACHMENT.

The people of the Pacific coast at last appear to be awake to the dangers of Pacific Railway encroachment. A resolution was unanimously adopted by the Chamber of Commerce of San Francisco, on the 23d of July last, inviting commercial and industrial bodies of the Pacific coast to meet in conference at San Francisco for the purpose of considering various subjects of interest, but particularly the assault made upon the maritime, commercial, and transportation interests of that section of the country through the enormous subventions granted by the Canadian Government to the Pacific Railway, and the subsidies granted by the Canadian and British Governments to ocean steam lines, which are threatening the entire destruction of American steam navigation on the Pacific Ocean, and the diversion of trade from Pacific Coast ports.

That conference was held at San Francisco on the 29th and 30th of July last. Referring to the whole scheme of British and Canadian subvention the report of the conference says: "With such special advantages the Canadian Pacific can afford to quote rates which must drive the American lines out of the China trade, and inflict an almost irreparable injury upon San Francisco."

The commercial disaster which the merchants and other business men of the Pacific coast so clearly see to be impending, and against which they ask the Government of the United States to protect them, is not, as before remarked, the result of a struggle between private enterprise

in the two countries, but is the outcome of a struggle between private enterprise in the United States as against a Canadian railroad corporation which has received aid from the Dominion Government in excess of its cost, and which has been appropriately styled "the Dominion Government on wheels." It is also the outcome of a struggle on the sea between private enterprise and British steamer lines so lightly protected by subsidy as to take the contest out of the arena of competition.

The commercial and political schemes of Canada and Great Britain are re-enforced by the formidable fortress and naval station erected by the governments of those countries at Esquimault on the island of Vancouver. Certain of the chief officers of the Canadian Pacific have declared that these works are merely intended to serve as defenses against a possible naval attack by Russia. This is manifestly absurd, and is so regarded by military men. Russia sold Alaska to the United States to avoid the risk of having it captured by Great Britain in the event of war, and to avoid warfare with Great Britain in that part of the world. The only object of the Esquimault works is to hold the commercial vantage of this protected and aggressive transportation line across North America, and connecting Liverpool with China and Japan.

In an editorial notice of the assembling of the commercial conference at San Francisco the Evening Bulletin of that city stated the merits of the whole case in a single paragraph: "Briefly stated, all the questions (to be considered) may be resolved in this one, What power is to have the commercial supremacy on that part of the Pacific Ocean bordering the western side of North America?"

This summarizes the whole case which now demands consideration by the Fifty-first Congress of the United States.

I need say nothing further in regard to the San Francisco conference, as copies of its proceedings were sent to each Senator and Representative from the Pacific coast, with the request that they would use every consistent endeavor to place the subject properly before Congress.

CONCLUSION.

And now, in conclusion, I beg leave briefly to recapitulate the main facts which I have brought to your notice, and the points which I have attempted to establish.

The most important feature of our Canadian relationship appears to consist in the fact that the Dominion Government is quite as much an active owner and manager of the traffic interests of canals and railroads as a government. Besides, it controls, for political purposes, a railroad across the continent. For the creation of this aggressive system of transportation the people of Canada have submitted to a burden of debt, as great as that assumed by the people of the United States for the preservation of our union. This Canadian governmental system of transportation encroaches upon the commercial interests of the United States apparently from the very necessities of its being.

Besides this, I have brought to your attention numerous violations of treaties and encroachments upon the commercial interests of the United States. The British Government has no power whatever to redress these wrongs. The Canadians refuse to allow that Government any sort of interference in their internal affairs. Canada has no army or navy, and while paying no tribute to Great Britain, imposes duties on British goods for the protection of Canadian industries, but at the same time looks to Great Britain for military protection and uses her

for the purpose of negotiating treaties, the obligation of which the Dominion Government is unable or unwilling to observe.

All along the line from Nova Scotia to British Columbia the United States has an hundred times more power to restrain Canadian encroachment upon American interests than can possibly be exercised by Great Britain in any peaceful way.

Do not all these facts and considerations clearly prove the folly of any further attempt to cure the evils connected with our Canadian relationship by treaty?

Appropriate legislation by Congress, prompted not by any hostile or even vengeful feelings, will, I believe, be found sufficient for the cure of all the evils of which we now justly complain.

o